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# FINANCIAL TIMES

Europe's Business Newspaper

FRIDAY DECEMBER 17 1993

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## EU faces row over share-out of industrial aid

A row is brewing in the European Union over the share-out between the 12 member states of structural aid for industrially depressed, high unemployment regions. The UK and France, which are bidding for very large slices of an Ecu30bn (\$34bn) cake, have been asked to submit more reasonable bids. If they do not, the Commission will be obliged to decide for them. Page 20

**Rescue for Grundig plants:** Welsh company Gooding Consumer Electronics is to rescue a television plant in eastern France where Grundig, the German consumer electronics manufacturer, had planned to stop production at the end of the year. Page 20

**Development bank criticised:** The Council of Europe's Social Fund for aiding refugees evolved into a substantial investor in international money markets and provided lavish rewards for its staff, according to accountants Castal Jacquet Ernst & Young. Last orders at movable feast. Page 19

**Matav bidding heats up:** Deutsche Telekom, the German state-owned telecommunications company, and Stet International, its Italian counterpart, were battling for the 30 per cent of Hungarian operator Matav on sale in eastern Europe's biggest privatisation. Page 21

**US defence secretary named:** Bill Clinton named retired admiral Bobby Ray Inman to be the next US defence secretary, after the resignation of Les Aspin. Page 20. Defence problems outlast Aspin. Page 8

**Ustas hopes kept alive:** Hopes of peace in Northern Ireland were kept alive when Sinn Féin, the IRA's political wing, said it would consider in detail its response to this week's peace initiative by Mr John Major and Mr Albert Reynolds. Page 9; Joe Rogaly, Page 18

**Credito Italiano:** Shares in Italy's seventh biggest bank fell on the first day of trading after share allocations to thousands of retail investors had to be scaled back because of heavy demand in the country's first mass privatisation. Page 21; World stocks, Section II

**Patten rebuffed on secret HK talks:** A special report in today's FT tells the story of the attempt by Mr Chris Patten, Hong Kong's governor, to win China's agreement to faster democracy in the colony, based on interviews with Mr Patten and with Chinese and British officials. It reveals that before arriving in Hong Kong last year Mr Patten was rebuffed in an attempt to open a secret channel of communication to Beijing. Failure of the talks has left in doubt Hong Kong's smooth transition to Chinese sovereignty in 1997. Sino-British impasse. Page 6; Editorial Comment, Page 19

**PLO peace warnings:** A senior member of the Palestine Liberation Organisation Yasser Arafat warned that the peace process would be frozen if Israel did not allow Palestinians to control border crossing points in the Gaza Strip and Jericho after Israeli troops withdraw. Page 7

**M&G:** Shares in the fund management group jumped 30p to 55p as it announced a 36 per cent increase in its final dividend for the year to September 30. Page 21; Lex, Page 20

**Recognition for Macedonia:** Six European Union member-states - Germany, France, Britain, Italy, the Netherlands and Denmark - said they were establishing full diplomatic relations with Macedonia, despite strong Greek opposition. Page 3

**'Complex causes' for Airbus crash:** A report into last year's Airbus A320 crash in eastern France in which 87 people died blamed a "complex chain of causes" and made more than 30 recommendations. Page 2

**Inter-Continental Hotels:** owned by the Japanese Saison group, is to split its management operations and property activities into two separate companies at the start of next year. Page 21

**S Korean cabinet resigns:** Lee Hoi-chang was named as South Korea's new prime minister after the cabinet resigned due to a controversy over rice imports. Page 7

**Fiji president dies:** Fijian President Ratu Sir Penaia Ganilau died while undergoing treatment in the US for a blood disorder. He was 75.

**STOCK MARKET INDICES**

FT-SE 100: 3312 (+32.4)  
Yield: 3.28 (-2.16)  
FT-SE Euroshare 100: 1407.56 (+1.09%)  
FT-AI Share: 1628.57 (+1.09%)  
Nikkei: 17,789.28 (+300.13)  
New York: 3716.84 (+1.28)  
S&P Composite: 482.87 (+0.63)

**US LUNCHTIME RATES**

Federal Funds: 7%  
3-mo T-bill: 3.985%  
Long Bond: 5%  
Yield: 6.288%

**LONDON MONEY**

3-mo interbank: 5.1% (same)  
Libor 3m: 5.1% (same)  
Libor 6m: 5.1% (same)  
Libor 12m: 5.1% (same)

**NORTH SEA OIL (Argus)**

Brent 15-day (Feb): \$13.78 (13.78)  
New York: \$13.78 (13.78)  
London: \$13.78 (13.78)

**Gold**

New York: \$385.9 (387.4)  
London: \$385.9 (387.4)

**Other Markets**

Australia: 50.00  
Belgium: 200.00  
Canada: 100.00  
Denmark: 200.00  
France: 100.00  
Germany: 100.00  
Greece: 100.00  
Hong Kong: 100.00  
India: 100.00  
Italy: 100.00  
Japan: 100.00  
Korea: 100.00  
Malaysia: 100.00  
Mexico: 100.00  
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Spain: 100.00  
Sweden: 100.00  
Switzerland: 100.00  
Taiwan: 100.00  
Thailand: 100.00  
Turkey: 100.00  
USA: 100.00  
UK: 100.00  
West Germany: 100.00

## Gore criticises IMF over plight of Russia's jobless

By John Lloyd in Moscow

Mr Al Gore, the US vice president, criticised the International Monetary Fund yesterday for insensitivity to the plight of the unemployed in Russia, forecasting a possible shift in Western policy on helping the country's economy.

Mr Gore said the effect of huge cuts to the defence budgets in communities dependent on defence production had been "devastating". His comments echoed those made by Russian cen-

trists opposed to rapid reforms. He criticised Western countries for not waking up to Russia's problems. "Every country with representatives on the IMF board has been slow to recognise the hardship caused by some of what has been done in the past. That may cause a diplomatic incident, but I don't care."

The IMF was supposed to grant at least \$3bn in the current year to assist reform in Russia. Only \$1.5bn has been given and there are doubts about whether the second tranche will be released.

The IMF has consistently complained that successive Russian governments have been unable to meet the fund's basic criteria - curtailing the budget deficit and bringing inflation down to 5 per cent a month. Meeting these criteria would mean chocking off credits to already shaky Russian enterprises, devastating the industrial heartland and causing mass unemployment.

Mr Gore said that "in circumstances where there is a great deal of economic suffering and when the world does not pay too much attention to that, then people become vulnerable to demagoguery". The remarks were endorsed by Mr Viktor Chernomyrdin, the Russian prime minister. Mr Chernomyrdin said it was in the defence industries where "the highest intellectual strength is concentrated, and we cannot shut them down. We must retain them, and not lose jobs there".

## Unions win control of United Airlines for \$5bn pay cuts

By Richard Tomkins in New York

United Airlines, the biggest US carrier, has reached a deal with its labour unions that would give employees a controlling stake in the company in return for \$5bn worth of wage cuts and productivity improvements over the next six years.

The deal will send a shock-wave through the US airline industry. Other big carriers will be forced to reach similar agreements with their unions or risk going out of business because of their uncompetitive costs.

United has been negotiating with its unions for nearly six months in an attempt to bring labour costs down. Like other big US carriers, it has suffered severe competition on domestic routes from smaller, low-cost carriers like the Texas-based Southwest Airlines.



US vice-president Al Gore (left) shakes hands with Russian prime minister Viktor Chernomyrdin in Moscow yesterday after they signed agreements between their countries

The company had threatened to cut losses by contracting out all its servicing and maintenance activities and divesting its short-haul operations to newly-formed non-union subsidiaries if no agreement was reached. That plan will now be abandoned.

Instead, 60,000 of United's 82,000 employees will accept wage cuts, reductions in benefits and changes in working practices that will produce savings over the next six years with a net present value of \$5bn. In return, they will receive new ordinary shares worth \$173 each in a recapitalised United, which will be held in employee stock ownership plans, known as Esops.

The size of their stake will be between 53 per cent and 63 per cent, depending on the value of United's existing shares at the time the transaction takes place. United will compensate its pres-

## Bundesbank cuts M3 target growth range

By Christopher Parkes in Frankfurt

The Bundesbank yesterday tightened its money supply growth targets for next year, but stressed this was not a signal for a more restrictive interest rates policy.

Mr Hans Tietmeyer, president, in a modestly upbeat review of economic and monetary conditions, also suggested inflation was weakening and reinforced economists' expectations that the recent series of small interest rate cuts would be resumed early in the new year.

The bank's central council fixed the 1994 target range for annual expansion of the key M3 measure at 4-6 per cent, compared with 4.5-6.5 per cent this year. As expected, it left the Bundesbank's key discount rate unchanged at 5.75 per cent.

## Metals group faces further problems as US chief quits

By David Waller in Frankfurt

The problems facing Metallgesellschaft, the German mining, metals and industrial group, deepened yesterday after it emerged that the head of the group's US trading subsidiary had resigned.

The resignation of Mr Siegfried Hodapp, MG Corp chief, came ahead of a special meeting of Metallgesellschaft's supervisory board in Frankfurt today. This is likely to focus on problems at MG Corp and is widely expected to lead to the departure of Metallgesellschaft board directors.

Last week Mr Helmut Schimmler, Metallgesellschaft's chief executive, successfully negotiated new lines of credit from the group's bankers. This was in response to what Metallgesellschaft said then were temporary liquidity problems arising from the need to meet margin calls cash payouts on oil futures contracts taken out by MG Corp on the New York Mercantile Exchange, triggered by the

recent sharp fall in oil prices. There is a growing concern that the liquidity problems are greater than have been indicated to date. Reflecting this concern, shares in Metallgesellschaft yesterday dropped DM12.30 to close at DM293, against the trend of the German stock market. The shares have fallen by more than 30 per cent since the beginning of last week.

Mr Hans Schreiber, Metallgesellschaft spokesman, said yesterday that the supervisory board meeting would focus on "the status of business developments at Metallgesellschaft in general, with special reference to developments at MG Corp". Mr Schreiber added that the meeting would also deal with the consequences of what happened in the US. He said he did not know the reason for Mr Hodapp's departure from MG Corp, saying reports that a further five senior MG Corp employees had resigned were "rubbish".

Both Deutsche Bank and Dresdner Bank, shareholders in Metallgesellschaft, as well as creditors, backed the company's version of events last week. Mr Hilmar Kopper, Deutsche's chief executive, said last Tuesday that the group's liquidity problems arose for technical reasons and were not "life-threatening".

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## NEWS: EUROPE

# Kohl braves his 'twilight months'

By Quentin Peel in Bonn

The mood in Germany is more miserable than at any stage since the depths of the last depression in 1930, and the popularity of Chancellor Helmut Kohl has hit a new low, according to opinion polls.

The newspapers are talking of collapse in the ruling coalition and a "twilight of the chancellor". Yet Mr Kohl himself remains unmoved and apparently immovable: "It is only midday," he said yesterday. "I do not see any sign of twilight."

The occasion was the chancellor's traditional end-of-year press conference, a ritual round-up of the government's successes, and failures, of the year, and a chance for the media to tease and taunt their prime political target.

If the opinion polls are anything to go by, Mr Kohl is in dire straits. The Forsa opinion research institute said yesterday that only 24 per cent of the population would back him to become chancellor again, against 37 per cent for his rival, Mr Rudolf Scharping of the Social Democratic party.

It is four points down on the chancellor's rating one year ago, according to the poll for RTL television. On the other hand, no fewer than 39 per

cent do not like the idea of either Mr Kohl or Mr Scharping as chancellor.

As for the respected Allensbach Institute, the longest established of Germany's opinion polling organisations, it says that the national mood is deepening. No fewer than 83 per cent of the population believe they are living through particularly difficult and uncertain times, and fear it will stay that way.

Barely one third of west Germans believe in a brighter future. The pessimism, according to the Allensbach monthly poll in the Frankfurter Allgemeine Zeitung, is worse than at any time since 1980.

Yet the chancellor's performance yesterday suggests that he sees nothing to worry about. He demonstrated his faith in his ability to sit out any storm, and emerge victorious at the general election in October 1994.

"The chancellor could hardly be said to be cocky. His mood was subdued. On most of the questions of the day - such as budget cuts, the Russian elections, the state presidency, and his own re-election - his answers were very much the same. 'You will have to wait and see.' But it is a formula which has stood him in good stead up till now."

Frankfurt court to hear GM unit's claim of unfair competition



Car wars: Heinz Wietkamp (above left) with Horst Borghs of Opel and (below) Jürgen Kieker and Joachim Cordhagen of VW after yesterday's hearing



# Opel presses case against VW 'poaching'

By Christopher Parkes in Frankfurt

A German court will next month hear an action by the General Motors subsidiary, Adam Opel, which claims that seven senior staff who left to join Volkswagen should be suspended from work.

Opel is expected to produce evidence and statements to back its claim that VW's hiring of the seven constituted unfair competition. The seven are close associates of Mr José Ignacio López de Arriortúa, a former GM director, and joined him within days of his move to VW last March.

Allegations of theft and industrial espionage against Mr López and three of these followers are under investigation by the German criminal authorities. The US justice department is running a similar probe.

A Frankfurt civil court yesterday turned down on technical grounds an appeal against an earlier rejection of Opel's request for a temporary injunction barring the seven from working at VW for a year.

The court ruled that Opel should have laid its suit against VW itself, and not Mr López and Mr Ferdinand Piëch, the group chairman.

Mr Horst Borghs, an Opel

director, said he was confident of "a different result" at the full hearing, in which the complaint was directed at VW.

The US-owned company took up the suit after winning an injunction barring VW from attempting to poach further staff. Statements supporting this case, which includes allegations that Mr López offered to double the salaries of Opel managers if they switched to VW, are expected to be offered as evidence at the January hearing. VW officials appeared concerned at the prospects of a long legal process, consuming senior management's time which would be better spent at work.

This was why the company had been prepared to settle out of court, a spokesman said. VW had initially been prepared to suspend four of the seven for nine months, but withdrew its agreement after Opel demanded further concessions. Despite yesterday's apparent setback, Opel seems determined to maintain the pressure on VW and Mr López and keep the case in the public eye until the results of the criminal investigation are known.

The civil court hearing, scheduled for January 5, could offer an opportunity for Opel's lawyers to question Mr López in public for the first time.

# Deadlock over EU pension fund rules

By Andrew Hill in Brussels

Britain, Ireland and the Netherlands yesterday rejected a compromise aimed at opening up cross-border investment by European pension funds, on the grounds that it did not go far enough.

Internal market ministers were again unable to agree on the pension funds directive, which is supposed to improve pension funds' ability to invest their assets in other countries of the European Union.

Nine ministers yesterday supported a compromise deal which would allow member states to oblige pension funds to invest as much as 80 per cent of their assets in the currency in which its pensioners are paid.

But Britain, Ireland and the Netherlands, which impose no restrictions on their pension funds' investments, believe such an obligation would run counter to the single market's commitment to the free movement of capital around the EU.

"There is still a pension fund directive that we would like - but this isn't it," said one UK official.

Normally, the dissenting trio could be overruled by the other nine member states, but the European Commission is also opposed to the 80 per cent limit, and this means approval of the compromise has to be unanimous. The Commission said it could accept a currency matching requirement of 80 per cent, but no higher.

The internal market ministers also agreed a separate and controversial proposal offering patent protection to biotechnological inventions.

For months the European Parliament has held up progress on the measure because of ethical objections, particularly to the possibility that the directive might lead to patents on genetically modified human cells or parts of the body.

Ministers had to resolve a number of examples outstanding technical issues. Environmental groups and political parties have argued that approval of the directive could lead to higher prices for food, medicine and other products of biotechnology, with farmers obliged to pay royalties on new strains of plants and livestock.

# Airbus instrument linked to disaster

By John Riddling in Paris

A report into last year's crash of an Airbus A320 in eastern France, published yesterday, blamed a "complex chain of causes" and made more than 30 recommendations. These included a modification to the design of one instrument, and measures to strengthen cross-checking of information by the flight crew.

Airbus Industrie said it had already introduced a modification to the layout of the flight control unit in new A320s and had contacted airlines using the old layout about plans to update them.

The report into the accident, in which 87 people died, said the aircraft was descending four times faster than usual as it prepared to land at Strasbourg. Several hypotheses were advanced to explain the rapid descent.

These included human error, possibly because the pilot had made a mistake in setting the descent mode of the aircraft, or a technical fault in the controls which change descent modes. In each hypothesis, however, the report said "an accident was possible because the crew were unaware of the anomaly in the descent path".

Airbus said the modifications to the flight deck design concerned the display of descent modes.

# Skoda finds Volkswagen less than reliable

The Czech government is asking the German carmaker to honour its promises, writes Patrick Blum

Volkswagen's joint venture with Skoda, the Czech car manufacturer, had been hailed as a shining example of east-west co-operation in the post-communist era. Now it has become a source of embarrassment and friction between the Czech government and the German vehicles group.

Today, at a meeting in Ingolstadt, near the Czech border with Germany, Mr Vladimir Dlouhy, the Czech Industry minister, will remind Mr Ferdinand Piëch, VW chairman, that the Czech government is still the majority shareholder in the venture and should be treated accordingly. He will ask for details of VW's plans

for Skoda, where the German group has a 31 per cent stake, which is due to be raised to 70 per cent by the end of 1995, with an option to buy the rest later.

The meeting has been called after months of controversy culminating in a fierce public exchange over VW's decision to cut its projected investment in the venture from DM7bn (\$2.75bn) to DM3.7bn and to scrap plans to build a new engine plant. This follows an earlier row over the cancellation by VW in September of a DM1.4bn investment financing package for Skoda only hours before it was to be signed in London. The Czech government, which holds a 69 per

cent stake in the venture, says VW failed to inform it in advance about these moves.

Prague accepts that VW, which faces big losses this year, may have good reason for scaling down its plans for Skoda, but officials say they must be consulted, and that VW must honour the joint venture agreement signed in 1991, over which there is a dispute about what is legally binding. Prague officials say that the government is meeting its obligations to cover any restitution claims against Skoda and its pre-1991 debts.

VW for its part, promised to produce an improved version of the popular Skoda Favorit model, build a new engine

plant, and develop a new car. "We want to see these promises materialised. I don't consider (the engine plant) to be fully out," says Mr Dlouhy.

The difficulty for the government is that many of VW's promises of future investments in Skoda are not part of the original contract, but were made separately to ministers of the previous government. Ironically, VW was chosen in preference to Renault for the venture primarily on the strength of its investment plans, though these will now be considerably less than expected. But what has hurt Czech pride most is that rather than Skoda becoming a major

car producer in its own right - fully developing and building its own models - it could turn out to be little more than an assembly plant run from Germany.

The government is also concerned that VW's moves to cut back its investment will affect the value of Skoda's shares, making it more difficult to find buyers for the final 30 per cent should VW not take up its option. "We need to show Skoda is in good shape if we want to get a good price. For that we need a secure investment programme by VW. By cutting their investment by half they undermine the implicit future price of these shares," says a Prague official.

Under growing public pressure and criticism of VW in the Czech press, the government has to show it is fighting for Czech interests. Officials dismiss as unrealistic suggestions that the government should find an alternative investor, but they say the government as majority shareholder could force management changes at Skoda, and decide how the annual dividend is used. Most of all it will press to be kept better informed about VW's intentions. "After all, unlike in Catalonia [VW's troubled Seat plant], we are still the majority shareholder. We have the right to know (what VW is doing)," says one official.

Seat's future, Page 22

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## Macedonia backed by half of EU

By Karin Hope in Athens, Laura Silber in Belgrade and Gillian Tett in London

Six European Union member-states said yesterday they are establishing full diplomatic relations with Macedonia, despite strong opposition from Greece.

Diplomats from Germany, France, Britain, Italy, the Netherlands and Denmark made separate visits to the Foreign Ministry in Skopje to inform the Macedonian government.

The move is set to irritate Greece, which takes over the presidency of the European Union next year, and add an extra edge of controversy to EU attempts to co-ordinate foreign policy.

Greece has insisted that recognition of Macedonia by its EU partners would undermine the principle of a joint foreign policy because Macedonia's name implies a territorial claim on the northern Greek province of Macedonia.

Mr Theodoros Pangalos,

Greek minister for European affairs, recently provoked a diplomatic row by accusing Germany of acting like a "bestial giant" for pushing for recognition. Although he later apologised, the timing of the announcement, rushed through just before Greece assumed the presidency, seems likely to further strain relations.

However, British diplomats yesterday denied that the announcements had been co-ordinated by Germany or its EU other partners. "This was an entirely national matter," said the British Foreign Office, stressing that recognition was a "normal step" given that Britain and other European countries had accepted Macedonia's entry into the United Nations in April.

Meanwhile, Mr Kiro Gligorov, Macedonian president, stressed that he wanted "wide-spread co-operation" with Greece. Macedonia was willing to sign an agreement guaranteeing the present border with Greece, he said.

## Russians caught between the extremes

By John Lloyd in Moscow

Russia is caught between two extremes: the message from the elections last weekend to slow down or even abandon reforms - and the demands of the Russian reformers and the international community for even faster progress towards the market.

In Moscow yesterday, Mr Al Gore, US vice-president, appeared to be aware of the strength of the message from the electorate when he criticised the International Monetary Fund for insensitivity to the results of harsh economic measures with which it has become associated. He spoke movingly about the effect of vast and rapid budget cuts (implemented, it should be said, not by the IMF but by Russian governments) on defence industry jobs.

Mr Gore's intervention, appeared somewhat at odds with a Russian White House briefing on Wednesday afternoon.

"The whole thing is on hold," said one financial official yesterday. "We have a changed situation here, in which it will be much more difficult for the government to go forward with anything approaching austerity. The west will have to try to look at how to re-organise its programmes to be more responsive to the current concerns."



A worker removing the Soviet hammer and sickle from the Russian parliament yesterday

The government reformers have not given up. Mr Boris Fyodorov, the deputy prime minister in charge of finance, yesterday called on President Boris Yeltsin to speed up reforms - and repeated his threat to resign if Mr Viktor Geraschenko, head of the central bank, were re-appointed.

"He (Yeltsin) has to appoint a candidate to parliament. It will be a strategic decision for years to come. It will be unbearable if he again

appoints Geraschenko," he said. But, it Mr Gore's line is followed internationally, the reformers may find that they have lost support not just in the country, but in the west.

Dr Andreas Gummich, Deutsche Bank's expert on the Russian economy, said yesterday: "The reformers must address the problems raised by the neo-fascist Vladimir Zhirinovskiy - especially the law and order issue. And the IMF must take some lessons from this

too." For the World Bank and the IMF the dilemma is acute. The Bank has an ambitious programme of lending to the energy and other sectors scheduled to be more than \$2bn (£1.3bn) in the coming year; the Fund has to decide on whether to proceed with the second, \$1.5bn tranche of its "systemic transformation facility", crafted to give immediate support to the reformers.

Even before the elections, these were in doubt. The

restraining of the budget deficit to within 10 per cent of gross national product for the year and to Rb55,500bn in the fourth quarter has been achieved only by deferring necessary payments of an estimated Rb5,000bn which will have to be met early in 1994. The year will thus begin with a vast deficit.

The strategy, so far followed by the institutions and the G7, of agreeing with Mr Caidar's priority of bringing down inflation and restraining the budget, is likely to be reviewed, especially among those countries, such as Japan, that have been consistently sceptical about the possibility of rapid reform. What may now gain favour is specific assistance to sectors which can be restructured without financial stabilisation and with an assumption of continued inflation.

In the past months, there have been indications of a growth in interest in Russia among western business. US companies with offices in Moscow, numbering less than 100 some 18 months ago, have grown to at least 500.

However, says Mr James Tilley, vice-president of Conoco, whose \$200m investment in the Polar Lights oil project and plans for a further investment of \$200m represent the largest western commitment to Russia, said: "There will be a period of two or three months

where people will think very carefully about what is happening here - it will be difficult to get things done with the government. If parliament and the people clearly indicate that they don't want foreign investment here then we can not do business. But we don't think that is the case. We think that things have progressed to the point where westerners can do business here."

Mr Bruce MacDonald, whose BBDO advertising agency was one of the first to establish itself in the Russian market, said that foreign businessmen had feared three things - a non-convertible currency, a population with little money and political instability. "The first of these has been removed; second, spending power has greatly increased; and the third is a function of a democratic vote."

Mr Joseph Condon, executive director of the newly formed American Chamber of Commerce in Moscow, said yesterday that all foreign businesses wanted rapid action on a number of fronts - taxes, duties on imports, licensing and finance and banking and the lack of a commercial legal code.

"Russia is going through a profound transformation. That transformation does not come easily and in my view will not come quickly - it will probably take a generation". Editorial Comment, Page 19

### NEWS IN BRIEF

## European tie-up on telecoms/aviation

Unisource, a Pan-European joint venture between the telecom companies of the Netherlands, Sweden and Switzerland, has entered into a partnership with Sita, a global data network operator owned by airlines, freight forwarders and other companies involved in world aviation, writes Ronald van de Krol in Amsterdam.

The alliance will give Unisource access to telecommunications networks outside of its base in Europe. For Sita, whose full name is Société Internationale de Télécommunications Aéronautiques, the partnership will open up opportunities to find customers outside the aviation sector.

Unisource's aim is to provide "seamless" global data communications to multinationals in direct competition with big telecommunications operators such as AT&T of the US and British Telecom. Unisource and Sita said their networks were based on compatible technologies, making partnership between them straightforward.

## Germans defend recycling scheme

Mr Klaus Töpfer, the German environment minister, yesterday defended his country's recycling scheme following a decision by European environment ministers to introduce lower European recycling quotas than those in Germany, writes Ariane Genillard in Bonn.

In a statement, Mr Töpfer, the architect of Germany's ambitious environmental legislation, said the agreement would set back recycling programmes in Europe and force Germany to produce more waste.

"It is not supposed to be the EU's job to standardise the environmental tempo in all member states at any price or even to reverse it," Mr Töpfer said.

## Romanians launch street protests

Tens of thousands of Romanians yesterday attended anti-government demonstrations as part of a series of rallies and strikes organised by the country's largest trade union, writes Virginia Marsh in Bucharest. Unions say that if the government does not meet their demands, they will hold a strike in mid-January. Both the unions and pro-reform opposition parties, which today bring a motion of no-confidence in the government, say the economy will worsen unless privatisation and restructuring are accelerated.

## Bonn leads curb in asylum cases

The number of asylum applications to European countries slowed last year, primarily because of a drop in applications to Germany, according to the Geneva-based Inter-Governmental Consultants on immigration reveal, writes Gillian Tett in London. During the first three quarters of 1993, 471,077 asylum applications were made to European countries, compared with 679,900 in 1992.

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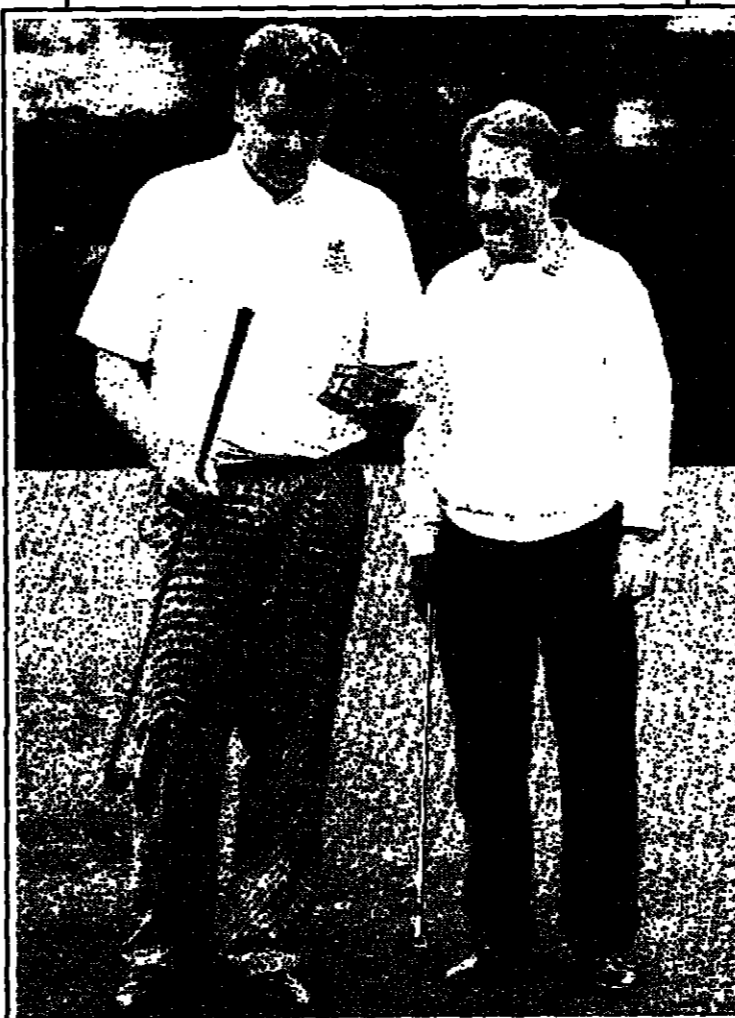
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## NEWS: THE GATT AGREEMENT

## Trenchant fixer who masterminded deal



The deal is done

Peter Sutherland, second cigar of the afternoon, rolled between his fingers, leant back in his armchair in Gatt headquarters in Geneva. "I think this is the first day in weeks when I can honestly say we haven't had a crisis," he said.

The nearest thing to crisis was a Christmas party for the staff of the General Agreement on Tariffs and Trade. Otherwise, this lakeside setting for the last dramatic weeks of negotiation of the Uruguay Round of global trade liberalisation had the air of a football stadium two hours after the end of a big match.

In just six months, Mr Sutherland has taken the long-delayed negotiations by the scruff of the neck and wrung a conclusion where none had

**David Dodwell, Trade Editor, interviews Gatt chief Peter Sutherland**

been possible for three Decembers. Perhaps history will say the round was by now ripe for plucking, but the importance of Mr Sutherland's role cannot be underestimated.

Even before his appointment was formally announced at the end of June, he was putting in place a strategy for completion of the Round that has barely needed to be changed since: fix the December 15 deadline as firm and final; raise the profile of the Round to the highest possible level; and set a clear working agenda that paced progress from July.

"There was a point very early in July when I took what I felt was a very bold decision," he recalls. "It proved crucial. I simply recognised that unless the Group of Seven summit in Tokyo in July did not come up with a clear, specific initiative, the Uruguay Round process



Peter Sutherland: he combined a brilliant publicity campaign aimed at creating a political focus "to ensure a maximum degree of movement" with a rigid work programme

was potentially destroyed: simple repetition of the generalised rhetoric of recent summits was simply not adequate."

So he met secretly with Japanese ministers in Paris at the annual conference of the Organisation for Economic Co-operation and Development, with the aim of ensuring that the Uruguay Round was "the only issue for Tokyo". That succeeded. The Tokyo summit, and the Quad ministerial before it including Japan, the US, the European Union

and Canada, focused almost entirely on the Round.

From there, he flung himself into a fearsome globetrotting agenda that began in the UK, moved on to South-East Asia and Latin America and the fringes of the International Monetary Fund-World Bank summit in Washington. He saw Germany's Helmut Kohl and France's Edouard Balladur, then leaders from the eastern and central European countries. He took individual trips to Japan and to India.

"This was not an ad hoc process," he says. "It was deliberately planned, calculated to get a certain momentum going - to create a political focus based on publicity that would ensure the maximum degree of movement."

In this he appears to have been a brilliant success. His public comments have never failed to be trenchant. His private comments appear to have been even more colourful. He has bawled out world leaders on the telephone; carpeted lobbyists

and politicians of any creed that seemed inclined to block progress towards completion of the round. He wrought patience from irritable and frustrated leaders from developing countries who watched helplessly as the US and the EU wrangled over bilateral disagreements until the sand had almost run out of the hourglass.

But behind the public relations, he put in place a work programme that remained in place up to the close of negotiations on Wednesday.

He appointed deputies (there were none in place when he arrived). He appointed four "friends of the chair" to chair at specific problem issues such as market access, dumping, and trade in services.

He set up daily strategy meetings to define blockages and to deal with them. He launched open-forum "heads of delegation" meetings for negotiators to air frustrations. And he set firm rules for debate.

But it was only on Sunday, with the breakthrough solving the dis-

pute over US demands to change the rules regulating anti-dumping, that Mr Sutherland realised the deadline was in his grasp. "This was an absolutely crucial breakthrough," he said yesterday. "We managed to convince the EU and the US that the longer they left it before they settled their differences, the greater the resistance there would be any proposals - even reasonable ones," he said.

The result was the dramatic US-EU "agreement to disagree", which in reality dumped on to the Gatt secretariat five large problems to negotiate at the last minute in a multilateral context. These ranged from financial and audio-visual services, to shipping, textiles and intellectual property rights.

Then he started to "gavel through" approval of different parts of the negotiated text of the 550-page final act at a hectic pace. "At one point, we were gaveling through at a rate of one article every five minutes - it became a matter of immense amusement," one participant recalled.

No-one paused to recognise that the gaveling process in fact had no legal authority. Yet the myth of the unchallengeable authority of the gavel remained intact right through to Wednesday evening, when the entire text was gavelled in a piece of pure theatre.

"Up to this moment, we have been firefighting," Mr Sutherland said yesterday. "The agenda has been driven by the Uruguay Round. From here on, we will be able to examine matters issue by issue."

He insists he has not yet charted a strategy for the future. A two-day retreat in January for himself and a small group of colleagues is intended to get that in place. But a more powerful World Trade Organisation is likely to be a very different animal from the Gatt of the past 45 years. Planning the new structure and function of the WTO will absorb much time.

Perhaps Mr Sutherland's lightning qualities will be in less demand. "If we were worried about the occasional fight, we would not have appointed an Irish rugby player as director general," a colleague noted. Not just a rugby player - but a prop forward too.

## PC makers cry foul on chip tariffs

By David Dodwell, World Trade Editor, in Geneva

Europe's personal computer manufacturers cried foul this week following news that the European Union would maintain a 14 per cent tariff barrier against critical semiconductor components imported from outside Europe.

They predicted the result would be pared profits, damaged competitiveness, and pressure to move production out of Europe.

The protest follows a last-minute decision by EU officials in the tariff-cutting negotiations in the Uruguay Round of global trade liberalisation to maintain tariff protection for imports of D-Ram, critical components in all personal computers and other consumer electronics products.

This was in spite of agreement to make sweeping tariff cuts across large parts of the semiconductor and industrial electronics sectors.

"With almost no D-Ram production capacity in Europe, we have to import these at high cost from Japan and Korea," said Mr Bruno Lamborgini of

Olivetti. Mr Lamborgini is also president of the European Association of Manufacturers of Business Machines and the Information Technology Industry (Eurobit).

"It's a nonsense to maintain a 14 per cent tariff wall, while reducing tariffs on other components. It will have a powerful negative effect on Europe's competitiveness, and may force us to move production out of Europe," he added.

The tariffs add Ecu20m (£15.24m) a year to Olivetti's costs: personal computers account for 25 per cent of the company's sales.

The tariffs also hurt manufacturers such as ICL, Philips and Bull. Eurobit accounts for annual computer output of about Ecu12bn. Mr Lamborgini declared, "Everyone works on extremely thin margins, and even a small amount can make an immense difference to competitiveness."

The only company appearing to benefit is Siemens of Germany, which has a limited D-Ram capacity and may have plans to add to this in the near future.

## No 'slam dunk' shot for Gatt in Congress

By Nancy Dunne in Washington

President Bill Clinton has officially informed Congress of his intention to sign a Uruguay Round package, but he repeated past vows not to "enter any agreement unless I am satisfied that US interests are protected."

While raising the overall package, he said negotiations would continue to work on "a few areas of significance that we were unable to resolve at this time". This includes financial services, audio-visual trade and market access.

"Some commitments were contingent on receiving satisfactory commitments from

other countries," he said in a speech on Wednesday night. "We will continue to work to ensure that the best possible agreement."

Gatt - not to mention the newly named World Trade Organisation - is as obscure as ever to most Americans; it is not likely to inspire the level of passion achieved in the battle over the North American Free Trade Agreement.

Congressional approval of the trade deal could be many months off, and might even slip into 1996. Mr Clinton has 90 days in which to sign approval of the package, then a further 90 legislative days before sending the implementation legislation to Congress,

already facing a packed agenda next year.

The long delay will allow both pro- and anti-Gatt forces, still trying to disentangle the detail of the deal, plenty of time to muster arguments and lobby congressmen.

Most of the business community in Washington yesterday was reacting positively to the agreement. The chemical industry, however, bemoaned the failure of many countries to agree to tariff cuts.

"Our support for tariff reductions down to the 5-6 per cent range was conditioned upon obtaining major country coverage in the round and the elimination of non-tariff measures," it said. "If the developing coun-

tries aren't on board, then the US must reserve the right to make adjustments to its offer... to keep pressure on the developing countries to participate."

"We've been told this is possible, and urge it as a strategy of last resort."

Other industries have not achieved their objectives. However, it is by no means clear they will strongly oppose it.

The main opposition that is surfacing is built around the core of populists which fought the North American Free Trade Agreement. The followers of Mr Ross Perot, the Texas billionaire, may join in, but the trade unions may split, depending on the gains achieved by

their industries.

Congressman Jim Kolbe of Arizona, one of the fiercest leaders of the NAFTA fight, believes it will not be a "slam dunk", or easy shot, to get Gatt approved by Congress.

Mr Kolbe was disappointed that the Japanese held firm against reducing their tariffs on copper, a major commodity in the state. But he will still support the deal.

"The issues in the NAFTA were clear cut," he said. "This will be much cloudier. There will be an attempt to pick off individual members by different interest groups."

"Some agriculture people will oppose it and we could lose the pharmaceuticals." The

environmentalists, who are beginning to appear to be solidly against the package, have exhausted their influence in the NAFTA battle.

Mr Abraham Katz, a former US ambassador to the OECD and president of the US Council for International Business, says the members of his group - multinationals and service providers - will support the pact. It is inevitable industry will be less united on Gatt than on NAFTA, because many had aims diametrically opposed. Exporters wanted the US dumping laws weakened; domestic industry wanted them preserved. "Every one of these issues was a matter of balancing," Mr Katz said.

## Confusion over Section 301 powers on services

By Frances Williams in Geneva

The extent of curbs placed by the new world trade accord on unilateral action by the US was the subject of conflicting statements yesterday. In particular, confusion arose over whether US Section 301 retaliatory powers could be used against financial and audio-visual services specifically exempted from fair trade obligations under the Uruguay Round services accord.

US officials said the administration could continue to take unilateral reprisals against unfair trading practices in services exempted from the general services agreement obligation to give equal market access to all trading partners, known as Most Favoured Nation treatment.

On Tuesday, at the end of their final negotiating marathon, Mr Mickey Kantor, US trade representative, and Sir Leon Brittan, European Union trade commissioner, said that after failing to settle disputes on audiovisual and financial services, both sides would be taking MFN exemptions in these sectors.

The EU later argued that because these services are covered by the Uruguay Round general services agreement, the US would in future be barred from taking unilateral action. Since MFN exemptions are contained in country schedules (part of the Uruguay Round services accord), these were effectively sheltered from Section 301 attack.

Gatt officials share this interpretation. "The US can't challenge MFN exemptions under Section 301," said one. "The country schedules are an integral part of the Uruguay Round deal."

"If the EU tables an exemption and the US accepts that, I don't see the US

has a leg to stand on," said another.

The EU has taken several exemptions from MFN treatment in the audio-visual sector, most importantly for its system of broadcasting quotas reserving the majority of TV programming for European productions. The US, on reflection, decided there was no need for it to do so, officials said.

Mr Kantor said on Tuesday the US would also be taking exemptions for audio-visual services, but in the end decided not to do so, officials said. US officials say an MFN exemption simply removes the obliga-

tion of countries to conform to non-discrimination rules, but does not protect it from challenge that its practices are unfair.

"An MFN exemption doesn't mean a country can do what it likes," a US negotiator declared. "There's nothing in the services agreement that bars us from using Section 301." That already requires the administration to seek recourse under multilateral dispute procedures where available.

The new streamlined Uruguay Round dispute settlement procedure will cover services - (and intellectual

property) for the first time, obliging the US to route more disputes through multilateral procedures. But "if a country has an MFN exemption we wouldn't have recourse under the services agreement", so unilateral action would be possible, the US official added.

Further multilateral talks on maritime services will be held along with continuing ones on financial services, as agreed by Mr Kantor and Sir Leon on Tuesday, trade officials said. The shipping talks, like those planned for basic telecommunications, are set to end in 1996.

The Gatt deal could create around 400,000 industrial jobs in the UK over time, reports Michael Cassell

## Psychological boost for British industrial exporters



The deal is done

This week's Gatt package is being greeted by British industry as momentous good news which should help in its struggle to raise the nation's exporting effort. But the move to slash tariffs and open up global markets is a two-way affair.

Mr Michael Heseltine, trade and industry secretary, was yesterday anxious to play down the threat of still higher import penetration of UK markets and to call instead on companies to use the stability of a world trade liberalisation treaty to step up overseas sales.

"We must not say we can't do it. We have very considerable opportunities to win in world markets if we put our minds to it," he said.

The theme was picked up by Mrs Ann Robinson, director of policy at the Institute of Directors. "There are big benefits waiting, providing companies prepare to respond to it

and the Department of Trade and Industry provides the support services for exporters which it has been putting in place," she said.

Mrs Robinson said Britain has concentrated too much of its sales effort within other European markets and the new Gatt package should help them refocus their efforts on alternative markets with much bigger potential.

Early industry estimates have suggested that the deal could generate as many as 400,000 new jobs across British industry over time.

Britain's exporting effort has been improving recently and the country still exports per head nearly 50 per cent more than the US and 20 per cent more than the Japanese. Ministers were recently bold enough to commit themselves to boosting the country's share of world trade from 5.3 per cent to 6.3 per cent by the end of the decade - adding £10bn to exports at 1993 prices. It stood at 20 per cent 60 years ago.

Though the Uruguay Round will



Heseltine (left) and Henderson: both bullish on the Gatt effect

not be enacted until 1995, with many changes then progressively phased in, the agreement was being greeted as an important psychological boost for companies at a critical

point in the economic recovery. Sir Denys Henderson, chairman of Imperial Chemical Industries, said the deal would "give a considerable boost to business confidence."

It sends a positive signal from world leaders to the business community that international trade prospects should improve, barriers come down, markets open

up and interest rates fall". British business is also emphasising the importance of the agreement on prospects for inflation. An IoD spokesman said: "We have achieved low inflation and the challenge is to keep it that way. Gatt should help make that possible, eventually bringing down a whole range of prices, from food and clothing to other products. We could even see inflation at zero."

The Confederation of British Industry is also enthusiastic about a deal which it says will help the "lean and fit" businesses now emerging from recession to take full advantage of a low inflation and low interest rate base to tackle markets previously hard to penetrate.

The UK clothing and textile industries, where exports run at half the value of imports, could derive marginal benefits from the Uruguay Round. The agreement promises the phasing out of the UK's import quotas on supplies from many Asian countries. But the effect on UK manufacturing will be

small because most production of low-priced garments such as T-shirts, and goods such as cotton yarn has already ended in the UK. At the same time tariffs and barriers imposed by other countries on UK exports will be eased. The US and Australia, for example, should cut import taxes from their current levels of 40 per cent or higher.

Some of Britain's privatised industries, which have since turned themselves into global businesses, are also encouraged. British Steel, which has 24bn of annual sales - almost half of them overseas - says a reduction in tariffs is good for suppliers and customers.

But work on achieving a multinational steel agreement was decoupled from the Gatt negotiations when it was realised that agreement between the EU and the US was not going to be possible. British Steel said yesterday: "It is important to us that the US, the world's champion of free trade, is prepared to open up its own market."

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## NEWS: THE SINO-BRITISH IMPASSE

Hong Kong Governor Chris Patten this week submitted electoral legislation in the face of furious opposition from China, which says it will scrap his reforms when it takes over in 1997. Hope of reaching the handover in a spirit of co-operation is now in tatters. British and Chinese officials tell the story of the controversial proposals to

Simon Holberton

# HONG KONG



The gulf dividing Britain and China over Hong Kong suddenly yawned wider on November 26. Negotiators meeting in Beijing had an exchange which suggested the differences had become great as to make further talks futile.

This was the 17th time that the officials had met in a lavish pavilion in Beijing's Diaoyutai state guest house complex to discuss Britain's desire to broaden democracy in Hong Kong before the colony is handed over to China on July 1 1997.

The usual style of Mr Jiang Enzhu, the vice foreign minister leading the Chinese side, was to lay out China's position in painstaking fashion. But on this occasion he was remarkably direct. China, he said, had decided that there would be appointed members on Hong Kong's district boards after 1997.

Mr Christopher Hume, the senior British official, replied that under Sino-British agreements, appointments were nothing to do with Beijing. This was a decision for Hong Kong's own post-1997 government. Mr Jiang replied: "What do you mean? We've got sovereignty after 1997."

To the British, Mr Jiang's aggressive assertion was final proof that China would not entertain political liberalisation in Hong Kong beyond the agreements already reached with Britain - and that even those agreements might be in doubt. To the Chinese, it was Britain's attempt to push through democratic reform that had undermined, perhaps fatally, the agreements on which Hong Kong's future was based.

In the final days of seven months of talks, China had come close to striking a deal on some of the British proposals, only to pull back at the last moment. Mr Chris Patten, the governor, had failed to demonstrate to Beijing that democratising Hong Kong's political system was in both Hong Kong's and China's interest. Instead of the closer co-operation which he had sought, mutual bitterness and suspicion had increased since his arrival on July 1 1992 as the 28th and probably last British governor.

He said in his inaugural address: "I will do all that I can to remove misunderstandings and to build up trust. Trust is a two-way street. Good co-operation with China is my sincere aim and my profound wish."

The governor was a skilful politician but his task was difficult from the outset. He was to hand over perhaps the world's most successful capitalist economy to a communist government which, believing its imperial forerunners had been robbed of the territory in 1841, had long mistrusted the British.

He himself set the hurdles even higher by deciding to seek a broadening of the franchise. Hong Kong's economic success, he argued, was inseparable from the rule of law, and the law was intimately linked to fair and open elections.

In pursuit of closer links, Mr Patten sought to open a secret channel of communication with Beijing. In London he had met Mr Ma Yuzhen, the Chinese ambassador. According to a Hong Kong official: "Mr Patten told him among other things that if the Chinese would put someone in Hong Kong who he could talk to then they would find the governor wholly open."

The request was rebuffed. "The response to his suggestions to ambassador Ma was a stiff-faced note... from the Chinese saying it was a very good idea that the governor should talk to someone and that the person he should talk to was Zhou Nan," the official said. Mr Zhou was the senior Communist party official in Hong Kong, a man known from previous negotiations to be a political hardliner.

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With the attempt rejected, Mr Patten set out to design reforms which met constraints imposed by Beijing while fulfilling Britain's pledge to enhance democracy. Steps towards democratic rule were set out in the Joint Declaration, the 1984 Sino-British agreement on Hong Kong's future, and the Basic Law, the post-1997 constitution drawn up by Beijing. Mr Patten was responding to demands in Hong Kong for faster reform after the June 1989 massacre in Beijing's Tiananmen Square.

"I think the parameters were pretty clear," Mr Patten said in one of several interviews with the Financial Times. "The Chinese had said... there could not be any more directly elected seats... They said there shouldn't be any liberal legislators on the Executive Council [ExCo]." ExCo, the governor's private advisory council, had traditionally included senior politicians.

Mr Patten decided to appoint professionals and business people to ExCo instead of politicians. Rather than seeking an increase in directly-elected seats on the Legislative Council - 30 in the 1995 elections - he would broaden the franchise of the 40 indirectly-elected seats.

Voting for 21 existing "functional constituencies", which represent professional groups, would be by individuals instead of corporate bodies. For nine new seats, Mr Patten wanted to enfranchise the entire working population of 2.7m, divided into three groups.

Then more LegCo members were to be chosen by an election committee. The Basic Law was silent on the committee's composition, though it did spell out provisions for 1999. Mr Patten decided to end appointments to district boards and municipal councils. Elected members of these would constitute the committee.

Mr Douglas Hurd, foreign secretary, briefed Mr Qian Qichen, his counterpart, on September 25 1992 in New York. The following day, Mr Patten sent a message detailing his plans to Mr Lu Ping, director of Beijing's Hong Kong and Macao affairs office. The governor says: "At the Qian meeting there was no response; he was just very polite about it all. Nothing happened and then three or four days before the speech, Lu Ping suggested our ambassador and told him I should not go ahead with it but wait and discuss it first."

According to China's Outlook magazine, Mr Lu told Sir Robin McLaren, the British ambassador, that political development should proceed step-by-step and in accordance with the Basic Law. The magazine said Mr Patten "should have listened carefully to opinions from the Chinese side and reached consensus through discussion and revision before making an announcement. Only in that way could his approach be regarded as being responsible, co-operative and 'in good faith'."

Mr Patten, however, pressed ahead. Though he called the plans he announced on October 7 proposals for discussion with Beijing, his approach represented a clear move away from the previous practice of negotiating issues with China in advance of public announcement.

"We thought what we've got to do was sketch our view of what clean electoral arrangements would look like. We thought that unless we did that the whole argument would be conducted on China's ground rather than ours," Mr Patten says. "The impulse for doing it was that it would have been politically intolerable only announcing things where we had given way to China and given away quite substantially."

The response in Hong Kong was positive. This was crucial to Mr Patten, who regarded popular support as his trump card. United Democrats party politicians accepted the proposals as the best they could

expect. Business initially applauded Mr Patten - though as the confrontation with China deepened, business people either kept quiet or began actively to oppose him. Mr Patten went to Beijing on October 19 for talks. "The meetings with Lu Ping were pretty good; good in the sense that until right to the end they were serious exchanges of views... I thought I'd been immensely accommodating and vigorous," said Mr Patten. "I was very open, I was very explicit."

Mr Lu had specific objections to Mr Patten's plans. In an FT interview this year, he explained China's opposition to the new functional constituencies. "What he envisages is that all the workers will have a vote. For instance, we're going to have a functional constituency for the textile industry... According to his proposal it might be quite possible for somebody who is an ordinary worker, maybe a cleaner, to be elected... That's what I asked him. Do you think a cleaner, an ordinary worker in the textile industry can represent the interests of the textile industry? I don't think so."

China's denunciation of Mr Patten began while he was on the flight back to Hong Kong on October 23. Beijing said Mr Patten's proposals violated the Joint Declaration and the Basic Law, as well as a secret understanding between London and Beijing. They were another example of the British conspiracy to limit the ability of pro-democracy politicians to win seats.

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Mr Patten has been torn through-out between his instinct to push ahead, and Foreign Office advice to strike a deal with Beijing. He anticipated the talks with dread, believing an agreement could only be struck on China's terms. For Mr Patten, it would be preferable to have LegCo water down his proposals than for China to do so in secret talks, forcing him to present an amended bill to lawmakers.

He says: "It is very difficult, very, very difficult, to see how we could have just not talked, but if we'd gone ahead and put the legislation last March/April one way or other it would all be over by now. But we couldn't have not talked."

Talks started on April 22. Four rounds were taken up with Mr Jiang Enzhu, China's chief negotiator, attempting to get the British to agree to a statement of "principles". According to Mr Patten, these amounted to "you won't do anything that we disagree with", and interpretations of previous agreements designed "to bog us down".

Then Mr Jiang slowly laid out the Chinese position. He argued that the system of appointments to district boards and municipal councils should be continued. LegCo's directly-elected seats should be double-member constituencies, with electors having one vote, instead of single-member constituencies as Mr Patten proposed. Britain believes the Chinese proposal is designed to limit the ability of pro-democracy politicians to win seats.

For the nine new functional constituencies, Mr Jiang argued for small electorates. Mr Patten says: "It was all pretty vague and they had nothing to say on the 'through train' - a set of criteria which would allow those elected in 1996 to serve until the elections of 1999."

Mr Hurd told Mr Qian in July that after hearing the Chinese ideas, Britain was prepared to make new suggestions. In July and August, Britain put forward watered-down proposals, reducing the voting pool for functional constituencies by two-thirds and accepting a four-part election committee - though insisting its members should be elected. Mr Patten says: "They seemed to all that and did bicker all."

The gap was underlined on October 23 when Mr Jiang was asked by the FT for his view on Mr Patten's principles that elections should be "fair, open and acceptable to the people of Hong Kong". Mr Jiang replied: "I don't know if you've noticed, but Mr Patten's principles are not covered in the [letters] between the two foreign ministers."

However, on October 23, in the 15th round, the Chinese side came up with a new proposal. Mr Jiang suggested Britain accept that Hong Kong delegates to the National People's Congress and other "people's congresses" could stand in district board, municipal council and LegCo elections. The two sides would agree to lower the voting age to 18 years; the voting method should be single seat, single vote for district boards and municipal councils. Finally, he suggested a formula to the effect that Britain could abolish appointed members for district boards and municipal councils before 1997, but it would be for the Special Administrative Region government to determine the number of members after 1997.

Mr Patten says: "Robin McLaren [UK ambassador to Beijing] at the table said 'Could you repeat that? They said it twice. He then said a number of times during the meeting: 'We interpret that to mean that you won't object if we abolish appointed members before 1997 and the SAR government will decide what to do afterwards.' They didn't disagree with that."

The Chinese offer was drawn up into a memorandum of understand-

ing (MOU). To this was added a British requirement that the "first-stage" agreement also provide for setting the voting method for the directly-elected LegCo seats on the basis of one-man, one-vote in single member electorates.

Mr Patten says: "LegCo voted by solid majority for the voting method; the leaders of political parties in LegCo say they believe in single seat, single vote, and it is simply not realistic to put in legislation which does not take account of that. We said that in our proposed MOU. And there were lots of whisks and nudges that suggested it was OK."

The cabinet committee on Hong Kong affairs debated the Chinese offer in London on November 8. It decided to allow the British team to seek a "first-stage" agreement. However, Mr Patten was cleared, subject to Mr Hurd's approval, to press ahead with legislation if a deal were not obtainable. If "non-controversial" issues were immediately legislated, there would be up to two months to discuss "controversial" aspects before they too had to be put into law in time for the elections.

Hopes of a deal quickly faded. The 16th round was "the worst on record", according to Mr Patten. Mr Jiang said the LegCo voting method could not be part of an agreement. He said the British misunderstood what Beijing had offered on appointments to district boards and municipal councils. He would clarify this misunderstanding only if Britain agreed to drop the LegCo voting method from the package.

The round ended acrimoniously with Mr Hume, who had replaced Sir Robin as the UK leader after the ambassador had been taken ill, telling Mr Jiang that the next round would be the last opportunity for talks about the "straightforward issues". At the customary banquet at the end of the round, Mr Jiang would not speak to Mr Hume for the first three courses, claiming that he had "spoiled his meal".

At the 17th round on November 26, the Chinese said they did not want a written MOU, but an oral understanding. It would cover what was offered in the 15th round but not include the voting method for directly-elected LegCo seats. Britain would have to agree to forswear unilateral action if it accepted this offer, Mr Jiang said. The exchange about appointed members followed. The talks had reached impasse.

Mr Hume told Mr Jiang legislation of "straightforward" issues would now begin. He offered a further round of talks on other aspects. But an official Chinese account said: "Facts show that the British side left the negotiating table in a huff."

Two days after he unveiled his proposals, Mr Patten set out his own definition of failure. "I think above all being thought not to have recognised our moral as well as political responsibility for the way of life of the people of Hong Kong," the governor said. "But it would also be failure if I wasn't able to persuade China that Hong Kong is mature, sophisticated, modest in its political ambitions and capable of doing a lot more to look after its own affairs. I would have failed if I hadn't been able to persuade China that politics in a free society is no threat... But I may well fail."



Tiananmen Square protests: 1989

20th 1995, 24th 1996 and 30th 2003. China promulgates post-1997 Basic Law for Hong Kong.

1997 After long dispute over Chinese objections to airport plan, Britain and China reach agreement allowing it to proceed. UK Prime Minister John Major visits Beijing in September to sign memorandum of understanding on airport. Airport financing plans subsequently stalled again by Chinese refusal to endorse them.

1998 Governor Chris Patten announces in October plan to broaden franchise of indirectly-elected LegCo, and make local government all directly elected. He seeks discussions with Beijing. China refuses and promises to reverse Patten reforms if enacted.

1999 After failure of "talks about talks", Patten "gazettes" reform bill in March but does not submit it to LegCo. Talks begin in April, then break down in November after 17 rounds. Patten submits partial reform bill to LegCo on December 15.

Alexander Nicoll

Sources: A History of Hong Kong by G.B. Endacott; The End of Hong Kong by Robert Cottrell; Financial Times

## 150 years of confrontation

1839 China, in move to suppress opium trade, blockades foreign merchants in Guangzhou and forces them to surrender 1,400 tons of opium stocks. Merchants withdraw to Hong Kong harbour under naval protection.

1840 Britain sends expeditionary force to open Chinese ports to trade, demand apology and compensation for lost opium. Lord Palmerston, foreign secretary, demands "satisfaction for the past and security for the future".

1841 Agreement between British and Chinese officials, later rejected by both governments, cedes Hong Kong to Britain - which had not been demanded by London - but fails to open Chinese ports. Before rejection of deal is known, British naval force occupies Hong Kong Island on January 26 and raises flag.

Jardine Matheson begins building first warehouse. Sir Henry Pottinger sent to take charge of expeditionary force and secure full British demands.

1842 Lord Aberdeen, new foreign secretary, instructs that islands acquired in course of war are "not to be regarded in the light of a permanent conquest". Pottinger replies that "this settlement (Hong Kong) has already advanced too far to admit of its being restored to the authority of the (Chinese) Emperor consistently with the honour of Her Majesty's Crown". In Treaty of Nanjing, later ratified by both governments, Pottinger secures

opening of ports of Xiamen, Fuzhou, Ningbo and Shanghai, 21m dollars compensation for the lost opium and cession of Hong Kong Island in perpetuity because the British needed a port where they may careen and refit their ships. Pottinger becomes first governor.

1860 Kowloon peninsula ceded to Britain under Convention of Beijing.

1862 New Territories leased to Britain for 99 years. Lease expires June 30, 1997.

1879 China's leader Deng Xiaoping meets governor Sir Murray MacLehose, tells him investors in Hong Kong should "set their hearts at ease". Says China has sovereignty over Hong Kong but that Hong Kong would have a "special position" as part of China. A negotiated settlement should be based on these principles. Hong Kong would continue to profile its capitalist system for a considerable time.

1982 Deng meets UK Prime Minister Margaret Thatcher in Beijing, rejects her proposal of continued British administration of Hong Kong after 1997 but agrees to begin negotiations. Says China will take back the whole area of Hong Kong in



Patten says talks must be concluded within weeks: 1993

1987 but will adopt special policies to ensure its continued prosperity.

1988 Thatcher, in message to Prime Minister Zhao Ziyang, says in March she would accept transfer of sovereignty if an acceptable settlement was reached. In October, after four fruitless rounds of talks, Thatcher, UK minister, governor Edward Youde and Hong Kong Executive Council members agree in London to shelve Britain's intention on administering Hong Kong after 1997. Britain will explore China's blueprint for Hong Kong.

1989 China urges in February adoption of protocol giving it a substantial role in Hong Kong in the transition period before 1997. Jardine Matheson says in March it

will move its domicile to Bermuda, in meetings with Deng in April and May. Sir Geoffrey Howe, UK foreign secretary, promises joint treaty should be drafted by December and that the Joint Liaison Group proposed by China for pre-1997 period should play a prominent role.

On September 26, after 22 rounds of formal talks, Sino-British Joint Declaration on Hong Kong is initiated. On December 16, Thatcher and Zhao sign Joint Declaration in the Great Hall of the People. Hong Kong is to become a Special Administrative Region of China in 1997, enjoying a high degree of autonomy, except in foreign and defence affairs. Hong Kong to keep its common-law system, separate customs status and independent franchise. Rights and freedoms, including those of speech, press and assembly, to be ensured by SAR's constitution. China's policies to be enshrined in Basic Law for the SAR and will remain unchanged for 50 years.

1990 Hundreds of thousands march to Hong Kong on June 4 in protest at killings in Beijing's Tiananmen Square. Sino-British relations worsen. Hong Kong people demand better democracy. In October, governor David Wilson announces Hong Kong will build a new airport. Britain says it will give passport to some Hong Kong residents and Hong Kong will have 5th of flights.

1991 After negotiations in Beijing, Britain accepts pace of democracy slower than demanded by Hong Kong campaigners. Legislative Council (LegCo) to have 18 out of 60 seats directly elected in 1991.

Thatcher and Zhao open negotiations: 1982

هكوان الال



Hwang In-sung (left): quit with cabinet over rice imports

## S Korean PM and cabinet resign

By John Burton in Seoul

The official who led a recent extensive investigation of bureaucratic corruption in South Korea was named yesterday as the country's new prime minister.

Mr Lee Hoi-chang, the chairman of the government's board of audit and inspection (BAI), was appointed by President Kim Young-sam after the entire cabinet led by Mr Hwang In-sung, prime minister, resigned due to a controversy over rice imports.

Mr Kim's announcement last

week that Korea would open its rice market as part of the GATT talks has provoked daily street demonstrations. Political analysts fault the government for having done little to prepare the public for the decision, which broke a presidential campaign promise to protect the nation's rice farmers from imports.

The choice of Mr Lee as prime minister was immediately approved by the national assembly and a new cabinet is expected to be formed by the end of the week.

Those who are likely to be

replaced include Mr Lee Kyung-shik, the deputy prime minister for economic affairs, and Mr Kwon Young-hae, the defence minister, whose agency was a prime target of the new prime minister's anti-corruption probes.

An estimated 3,000 government officials have been removed as a result of the corruption investigation that BAI has conducted since President Kim, who promised bureaucratic reform, was inaugurated in February.

Mr Lee served two terms on the supreme court since 1981

before heading BAI this year. Mr Boutros Boutros Ghali, United Nations secretary general, has said he is going to North Korea on a fact-finding mission only and does not need the approval of the US or any other country, *Reuter* adds.

The US has been noticeably cool about his visit, with State Department officials neither endorsing nor publicly opposing it. Mr Boutros Ghali said he did not intend to mediate in the crisis over North Korea's refusal to allow international inspections of its nuclear facilities.

"If there is anything I can offer to the member states, to the Security Council, I will do so," he said. "But I have no mandate and I will not do any kind of mediation."

North Korea yesterday sounded the alarm over what it sees as growing clamour in the US for war at a time when the two countries are in confrontation over nuclear inspection.

The official press carried attacks on Washington hardliners who, the official Rodong Sinmun daily said, seemed bent on destroying chances for a negotiated settlement.

## President of Fiji dies of leukaemia

Ratu Sir Penaia Ganilau of Fiji, thrust unwillingly into the world spotlight by the Pacific island nation's two military coups of 1987, has died while undergoing treatment for leukaemia in the US, *Reuter* reports from Suva.

His death, at 75, brought a new note of uncertainty to Fijian politics ahead of elections in February.

His deputy, Ratu Sir Kamlesse Mara, acting president since Sir Penaia was flown to the US last month, was expected to succeed him as head of state.

Sir Penaia was appointed in 1983 as governor-general, the representative of the Crown. Fiji's 1987 election delivered



Ratu Sir Penaia Ganilau: thrust into world spotlight

unprecedented political power to the Indian-led Labour party coalition, triggering a military coup by then Colonel Sitiveni Rabuka which replaced it with an indigenous Fijian-dominated government.

A tense stand-off ensued but Sir Penaia, nominally head of the armed forces, finally accepted the new regime, bringing criticism from Britain and other Commonwealth nations which in turn prompted Mr Rabuka to declare Fiji a republic.

Sir Penaia accepted a role as the nation's first president and, for five years while a new constitution was drawn up to guarantee political supremacy to indigenous Fijians, he sought to cool the divisions in Fiji's multi-racial society.

The president has wide powers and plays a key role in the appointment of a prime minister. Under Fiji's racially based constitution, a successor will be chosen by Fiji's Great Council of Chiefs, and must be an indigenous Fijian.

Indians, who were brought to Fiji at the turn of the century to work on sugar plantations, make up just under half of Fiji's 750,000 population.

## Japanese money supply rise lower than expected at 1.5%

By Robert Thomson in Tokyo

Money supply in Japan expanded by a slower than expected 1.5 per cent in November, compared with a year earlier, indicating that business activity in the country remains sluggish and that the economy appears to have turned down during the past two months.

The average balance of M3 plus certificates of deposit had grown by 1.8 per cent in October, and the Bank of Japan was hoping that the November rate would at least equal that figure.

Japan's industrial production index for October was revised down yesterday by the Ministry of International Trade and Industry, which

said the fall in production was 5.5 per cent against a month earlier, down from a provisional decrease of 5.1 per cent.

The decline in the shipment index was also revised from 5.6 per cent to 6.0 per cent, while the inventory index was said to have fallen by 0.5 per cent, instead of the provisionally reported 0.4 per cent.

Gathering signs that the economy is weakening are increasing pressure on the coalition government to announce another package of stimulatory measures in coming weeks.

However, the finance ministry has opposed the suggestion, insisting that the country cannot afford another package and that the econ-

omy is on course for recovery sometime next year.

The Japan Iron and Steel Federation gave an indication of the difficulties ahead by forecasting that steel production in the year from April is likely to slip to between 90m and 92m tonnes, the lowest level since 1970, and a sharp fall from the 96.5m

tonnes which is expected this year.

Steel companies expect demand to remain weak from core customers, including the automotive and construction industries, but based their forecast on the understanding that Japan's economy would expand next year by 0.5 per cent, a relatively optimistic target.

### OBITUARY: KAKUEI TANAKA

## Man who crafted faction rule

Mr Kakuei Tanaka, in whose image modern Japanese politics was crafted, died aged 75 in Tokyo yesterday after a long illness, which had cut short his career but had also ensured he would not be jailed for his involvement in a bribery scandal.

The gravel-voiced Mr Tanaka dominated Japanese politics during the 1970s and 1980s, when he perfected the faction system of the Liberal Democratic party, which ruled the country for four decades until this year and served as the conduit between business and the bureaucracy.

Popularly known as the "computerised bulldozer" for his straight-talking determination and ability to calculate cost and benefit, Mr Tanaka's fund-raising powers allowed him to reward generously his supporters and constituents, ensuring his faction was the most influential in the LDP.

Newly-elected politicians sought his patronage and promised him loyalty. Mr Morihiro Hosokawa, the current prime minister, is a former member of the Tanaka faction, and the coalition government's kingmaker, Mr Ichiro Ozawa, learned his political skills in the company of Mr Tanaka and carried on the Tanaka tradition of fund-raising.

Mr Tanaka's organisational ability and his financial resources ensured his power even increased after his resignation as prime minister in late 1974, when his personal finances were the stuff of public scandal after the "black fog" was lifted by a Japanese magazine.

Two years later, the "shadow



shogun" was arrested on suspicion of accepting ¥500m (£3.1m) in bribes, and he was sentenced to four years' jail in 1983. An appeal against his conviction was pending when he died.

But the troubles with the law did not diminish his popularity in his home prefecture of Niigata, where he was consistently re-elected. His speeches were laced with references to his humble origins and his love of his home town, while his lack of a university education was popularly regarded as an antidote to the arrogance of the Tokyo University graduates who controlled the capital.

Campaigning in 1946, Mr Tanaka promised he would level the mountains hemming in his home prefecture; "then we shall have no more of the



heavy snowfalls that have tormented us for centuries". On later becoming a minister, he was sentenced to attend the lecture provided by bureaucrats for education of the incoming politician.

It was said there was a little bit of Mr Tanaka in every Japanese, that he represented the embodiment of old rural values in the post-war political world. He had a habit of wearing traditional wooden sandals with his business suit, and his rough-and-ready speaking style confounded images of the crude but endearing rice farmer.

But Mr Tanaka's later life, spent in a comfortable Tokyo compound complete with pond jumping with Yim carp, was far removed from that of the common man, and the earthy campaigning style became in

part affectation. He was increasingly consumed by political intrigue, and his considerable personal wealth became an ever larger target for public criticism.

Mr Tanaka began his business life in the construction industry, and Tanaka Civil Engineering profited during the war, when poor health led to his discharge from the army. His links to the construction and transport industries allowed him to build the network of political influence, fuelled by money from companies grateful for receiving lucrative public contracts.

His first skirmish with scandal came in 1948, when he resigned as vice-minister of justice after allegations that he accepted bribes from coal mining companies. But he returned as minister for postal services and communications in 1957, later serving as finance and trade minister, when he collected ideas for a grand plan to "remodel the Japanese archipelago".

Mr Tanaka was felled by a stroke in 1985 but did not retire from politics until 1989. His former associates fought over control of his faction; his daughter Makiko reformed his supporters' group this year, being elected to the Lower House.

As with Richard Nixon, the former US president, the sins of Mr Tanaka were overlooked by the Chinese government, which remembered him fondly for travelling to Beijing to normalise relations in 1972. China last night "deeply mourned" his passing.

RT

## Hosokawa chalks up after-hours gains

The nocturnal habits of Morihiro Hosokawa are the talk of Tokyo. Not that Japan's prime minister is entangled in the sort of gishia scandal that embarrassed a predecessor, but his after-hours administration is prone to announcing its most important decisions past midnight.

A solemn Mr Hosokawa addressed a sleeping nation at 3.51am on Tuesday when the seven party-coalition agreed that the country's rice market should be opened to imports for the greater international good. The government's decision last month to push ahead with political reform came in the early hours, and on Wednesday night, fatigued legislators endured another long evening of bargaining over an extension of the parliamentary session.

With the extension rammed through, Mr Hosokawa faces another 45 days of late-night legislating, as the government intends to use the period to win approval from a divided upper house for political reforms. The prime minister has also extended his own deadline, having once promised to resign if those reforms were not in place by the end of the year.

Hours of haggling with the opposition Liberal Democratic party and within the coalition give the impression of indecision, but Mr Hosokawa is accumulating a list of honourable achievements. The rice market is open, the first stage of political reform is close to completion, and the government has already produced one stimula-

tory package for an ailing economy and is contemplating another.

Changes in prime ministerial form are also significant. Apart from the unusual timing of his rice announcement, Mr Hosokawa caused a stir by using a tele-prompter for the speech. Inevitable comparisons

### Robert Thomson on Japan PM's growing list of hard-won achievements

were made with the US presidential preference for using such aids, but the point of improving eye contact with the populace was understood.

For a coalition apparently ready to buckle at any moment under the weight of philosophical differences among its seven member parties, the Hosokawa administration remains remarkably popular. Since taking office in August, by the reckoning of most media polls, his cabinet has maintained an approval rating of just above 70 per cent. A poll this week suggested it had slipped to 62.3 per cent, but another put it at 71.7 per cent after the decision to open the rice market.

If the government's image was harmed by the rice debate, it was because of the public bickering of the Social Democratic party, formerly the Japan Socialist party, the largest group within the coalition. Divisions are widening

between the SDP's left wing and the party pragmatists who want to hold the coalition together. The left wing argues that nationalisation will favour the LDP and that membership of the coalition has prompted the SDP to abandon its principles for the sake of a short stay in power.

If the SDP withdraws, the coalition government will fall, but a snap election would be inconvenient for all, including the LDP, which has an approval rating of 28 per cent and would prefer that the public becomes disillusioned with Mr Hosokawa before votes are cast again.

Having attempted to distinguish himself from past prime ministers by running a clean coalition, Mr Hosokawa's reputation has been damaged most by repeated questions in parliament from LDP legislators about his alleged receipt of ¥100m (£628,900) in loans from Sagawa Kyubin, a trucking company at the centre of a bribery scandal.

LDP officials could soon be looking for a new leader, as Mr Yohel Kono, its president, has seen his standing diminished by an inability to control the party's factions and by public disapproval of the time-wasting tactics in parliament.

Mr Masaharu Gotoda, 78, the LDP's elder statesman and a former justice minister, thinks Mr Hosokawa "still has a favourable wind, though the direction of the wind is shifting". He argues that the LDP must become "more serious", meaning that he wants fewer late nights in parliament.

## Afrikaners and Zulus denounce new S Africa

By Patti Waldmeir at Isandlwana

Afrikaners and the Zulus, South Africa's two most powerful ethnic groups, yesterday gathered at two 19th-century battlefields in Natal - site of their greatest military triumphs - to denounce the new South Africa and vow to resist it, with force if necessary.

While the African National Congress staged a show of force in Soweto to mark the anniversary of the formation of its military wing Umkhonto we Sizwe (Spear of the Nation), hundreds of miles away in Zululand the ANC's main rival, Chief Mangosuthu Buthe's Inkatha Freedom party, celebrated the victory of Zulus armed with spears and sticks over the military might of the British empire in the 1879 battle of Isandlwana.

Some 10,000 Zulus, almost all carrying the same weapons which humbled the British - the assegai (spear), knobkerrie (club) and shield - roared their approval as Zulu King Goodwill Zwelithini called on them to prepare for war.

As the crowd bristled with menace, King Goodwill urged them to "let the valour and the honour that led to the defeat of the British in this place in 1879, rise up to claim Zulu warriors" at the Zulu nation's darkest hour. "Resist, I command you, resist, I implore you. We will not be ruled by a constitution we spurn. We will not be subjugated by a political party which wants to destroy us simply because it wants to

rule," he added, in a reference to the ANC.

Some 50km away at Blood River, site of the legendary 1838 battle in which 470 Voortrekkers (Afrikaner pioneers) triumphed over 10,000 Zulus, the Afrikaner leader, retired Gen Constand Viljoen, used the anniversary to deliver a far less militant message. But he used the same imagery of darkness and danger to evoke the threat felt by Afrikaners.

It was as though Zulus and Boers, the two groups who feel most threatened by the new South Africa, were making a symbolic retreat to the site of their greatest military victories to draw strength for the battle ahead.

Addressing 1,500 people, few with obvious weapons, Gen Viljoen said "the darkest hour of the darkest night" had descended on the Afrikaner nation.

The Afrikaner must draw lessons from Blood River to avoid defeat, he said. The Voortrekkers had called on God to defend them, wearing a sacred vow to honour him if they were spared; their descendants should do the same.

"If you give us victory over the darkness which now faces us, we will renew and reaffirm that vow," he said.

Gen Viljoen believed battle could be averted. Not so Mr Eugene Terreblanche, leader of the Afrikaner Weerstandsbeweging (Afrikaner Resistance Movement), who told 3,000 supporters Mr Nelson Mandela, ANC leader, wanted war, "and he shall have it".

## PLO warns that peace process could be frozen

By Roger Matthews, Middle East Editor

A senior member of the Palestine Liberation Organisation warned yesterday the peace process would be frozen if Israel did not allow Palestinians to control the border crossing points in the Gaza Strip and the West Bank town of Jericho after Israeli troops withdraw.

Mr Yasir Abed Rabbo, a PLO executive committee member, said in Tunis: "Either there will be a true Israeli withdrawal and true Palestinian control on land and passages, or we will face an Israeli interpretation of the peace deal less than autonomy; that means hindering the peace process." In that case, "the peace process will be frozen."

In Jerusalem, Mr Gad Ben-Ari, spokesman for Premier Yitzhak Rabin, said it was impossible for

Israel to compromise. "It was made clear to PLO chairman Yasser Arafat that if we do not have full control over the borders, bridges and checkpoints, we would have no control over who is entering Israel. That is why this is unacceptable."

Mr Ben-Ari denied an Israeli press report that Mr Rabin would refuse to meet Mr Arafat until he backed down, but said no date had yet been fixed for the two men to meet. After

last Sunday's summit in Cairo failed, the two leaders said they hoped to meet again in 10 days to iron out their difficulties.

Israel's foreign minister Shimon Peres suggested in Paris yesterday the possibility of allowing Palestinian observers at the border crossings. "If it is just a question of a Palestinian presence on the [Jordan River] bridge, I think we can find a solution. But there must be someone responsi-

ble for the border. You cannot have one border and two responsibilities."

Mr Peres reported progress in economic co-operation talks between the area of future Palestinian self-rule and Israel. "I think the Palestinians agree with us today to create a market economy, an open economy with no border with free movement of goods and trade between the two of us." Problems remained over the territories' currency.

## Populous countries learn education lesson

By Stefan Wagstyl

The governments of the nine most populous developing countries yesterday pledged to provide their children with universal education "by the year 2000 or at the earliest possible moment".

Their promises, delivered in New Delhi at an international education summit sponsored by the United Nations, were in themselves little more than statements of good intent.

However, reports presented to the summit showed that in most of the nine states the past few years have seen marked improvements in literacy rates and in the numbers of children going to school.

The nine nations - China, India, Indonesia, Nigeria, Brazil, Pakistan, Bangladesh, Mexico and Egypt - together account for half the global population and 70 per cent of all adult illiterates. If the experience of more developed nations is any guide, the progress made in education will help cut population expansion and boost economic growth.

The Education for All Summit was robbed of some of its

political impact by last-minute cancellations by leaders who had planned to attend. President Suharto of Indonesia was the only guest government head who signed the summit declaration alongside his host, Mr PV Narasimha Rao, the Indian prime minister. China was represented by a vice-premier and other nations by education ministers.

Many of the nine countries' problems are similar, especially shortages of money, teachers, schools and materials. All face difficulties reaching children in remote rural districts and in persuading parents to send daughters to school as well as sons, and all have many adult illiterates.

In the past three years, in every country education budgets have been increased, though in some the gains have been limited by subsequent cuts or by inflation.

Mr James Grant, the executive director of Unicef, says this renewed commitment is due partly to the world-wide Education for All campaign launched by UN organisations in 1990 and partly to the growing realisation that economic growth and population control

THE EDUCATION CHALLENGE				
GNP \$ per capita	Literacy %	Net enrolment for primary schooling %	Children reaching 4th year %	
Brazil	2,680	81	88	47
Mexico	2,490	87	98	81
Egypt	800	48	91	98
Indonesia	560	77	97	88
Pakistan	380	35	29	59
China	370	73	99	86
India	350	52	66	61
Nigeria	270	51	59	67
Bangladesh	200	35	63	52

Source: Unicef and Unesco, based on national reports

can best be achieved by promoting education. "Everyone is learning from east Asia," he says.

However, the differences between individual countries are as important as the similarities. The summit reports describe some glaring gaps in achievement which are likely to get bigger before they get smaller, and may not shrink at all without radical policy changes in the lagging states. As a principal summit document says: "To present the choice as now or never may over-dramatise it, but not by much."

Statistics are gathered from education ministries which

often tend to exaggerate achievements. Nevertheless, the overall trends are clear. Mexico, Brazil, Indonesia, and China have seen adult literacy rates soar in the past decade to 70 per cent and above. The same countries already have 85 per cent or more of the children of primary school age enrolled.

Enrolment rates in Egypt are also credible, though few experts believe the official figure of 91 per cent and estimate the true figure is nearer 70 per cent. Brazil's high enrolment rate, which indicates how many youngsters start school, needs to be qualified by the fact that only 47 per cent com-

plete three years.

Unicef commends India for raising adult literacy above the 50 per cent mark. Despite having one of the world's best-educated elites, India for long neglected mass education, partly out of a lack of concern for promoting the interests of the lowest castes. But the sight of east Asian countries forging ahead in economic development prodded India into action.

Unicef is also satisfied that Bangladesh, despite its poor literacy rating and its endemic poverty, has in the last two years under the premiership of Mrs Khaleda Zia shown determination to get children, especially girls, into school. The percentage of girls of primary school age enrolled at school has risen in the past decade from 45 to 64. The Bangladesh Rural Advancement Committee, the largest non-government organisation, has won international renown as a pioneer in out-of-hours education for children who work or cannot attend regular school.

The two countries that arouse the greatest concern are Pakistan and Nigeria, where a decade of political turmoil and

financial pressures have left schools under-funded and demoralised. In Pakistan only 39 per cent of children are even enrolled in primary schools, and less than 20 per cent of girls. The diversion of funds from social to military spending, political upheaval, and moves to cut so-called "western" influences in education and promote Islamic ones have all played their part in disrupting Pakistan's schooling.

The summit papers show the contrast between Nigeria and another oil-rich country, Indonesia, which invested its revenues more wisely. Even though Indonesia lacked deep-rooted educational traditions, its post-colonial rulers have made mass education a priority and "transformed education from the privilege of a tiny minority into a right enjoyed by nearly all", says the report.

Ms Fay Chung, Unicef's chief education officer and a former education minister of Zimbabwe, says the most important determinant of success is not money but "long-term political commitment". The great enemy is political instability.

## NEWS: THE AMERICAS

# Defence problems outlast Aspin

Jurek Martin and George Graham on a tough job at the Pentagon

Both President Bill Clinton and Mr Les Aspin were immensely correct and mutually complimentary on Wednesday evening when Mr Aspin's resignation as US defence secretary was announced. Difficult though his tenure had often been, there seems to have been no specific last straw policy disagreement or overriding personal circumstance that prompted him to go.

Mr Aspin, who had a heart pacemaker inserted earlier this year, had dealt with much controversy. The list includes ending the ban on homosexuals serving in the military and giving women front-line combat roles, the decision not to send additional US heavy armour to Somalia before the October Mogadishu firefight, the "Bottom-Up Review" of the US military entailing substantial real reductions in the defence budget, the "partnership for peace" approach to European security, base closures, cutting the reserves and more besides.

Much of this will not be undone, and much of it owes a great deal to Mr Aspin's sense of how far the Congress could be pushed in any direction.

Although some of his former congressional colleagues suspected him of ceding too much to the military leadership over

the force structure issue and over the compromise he worked out for allowing gay men and lesbians to serve in the armed forces, others believe he accurately assessed the point where compromise could be reached.

The political costs, however, were heavy, outside and inside the Pentagon. He inherited a defence department coming off more than a decade of military build-up, plus the victory in the Gulf war and, very content with the compatible leadership of Dick Cheney, the previous secretary, and General Colin Powell, who retired in late summer as chairman of the joint chiefs of staff.

The Aspin style, brought over from 22 years in Congress, was entirely different. Though his intellect and military expertise commanded respect, he was often disorganised, curious and theoretical, qualities directly at odds with a structured military mind accustomed to taking clear orders. A bevy of similarly-minded senior advisers meant that the civilian command of the US military was sometimes dismissed by the top brass as "Aspin University".

Paradoxically, he became a target of Congress because he did not behave like a classic defence secretary.

Mr Clinton's insistence on collegiality may have been a constraining factor to such a free thinker. Mr Aspin may also feel he suffered from a lack of clear and consistent foreign policy direction from a president whose own expertise was primarily domestic.

But the net effect was that the foreign policy triumvirate - Warren Christopher, the secretary of state, Anthony Lake, the national security adviser, and Mr Aspin - was under constant attack as things went wrong. The Aspin weakness was that he was never as close to the president as the other two, whose trust had been earned in the heat of a presidential election campaign.

Thus it might well have been, as Washington thinks, that he was pushed out of the Pentagon because he sensed he had lost the absolute confidence of the president.

With Mr Aspin's departure, however, the whole question is re-opened of how the US armed forces should be structured to face post-Cold war threats, a question he had sought to deal with in the Bottom Up Review, whose results he announced three months ago.

In recent weeks, Mr Aspin has been at odds with the White House over a \$50bn (\$33.5bn) gap between the

amount allocated to defence by the Office of Management and Budget over the next five years and the Pentagon's estimate of what it needs to pay for the force structure settled on, with President Clinton's blessing, in the Bottom Up Review.

Even if this was not the last straw provoking Mr Aspin's departure, it is an issue that will not go away for his successor, retired Admiral Bobby Ray Inman.

Some military analysts foresee even greater financial problems in the long term if the Pentagon sticks to the strategy outlined in the Bottom Up Review.

Mr Andrew Krepinovich of the Defence Budget Project, a Washington think tank, estimates that the Clinton budget could fall as much \$30bn or \$40bn a year short of the requirements of the Bottom Up Review.

While many defence analysts found the Review to be a solid intellectual exercise, some thought its results had been determined by its premise, which sought to maximise the possible threats the US might face and so to justify a larger military structure than might otherwise have seemed necessary.

The Bottom Up Review's

very terms of reference called for "a thorough and compelling list of New Dangers", which led to the conclusion that the US had to be ready to fight two nearly simultaneous big regional conflicts.

"It was overkill - a way of justifying a major military structure by inventing demons," said Rear Admiral Eugene Carroll, who heads the Centre for Defence Information, a Washington research organisation.

Some Democrats in the administration and in Congress - including Mr Aspin's successor as chairman of the House of Representatives armed services committee, Mr Ron Dellums - were tired that a fundamental rethinking of Washington's military posture to face up to Iraq and North Korea could shave so little off a defence budget built to confront the full might of the Warsaw Pact.

Admiral Inman could seek further budget cuts within the Bottom Up framework, or he could look for an entirely new assessment of force structure needs. But unless Russia's election results provoke a lasting shift in attitudes towards defence spending, he is unlikely to be able to preserve his budget at its current \$260bn a year level.



Defence Secretary Les Aspin (right) with Gen. Colin Powell, former chairman of US joint chiefs of staff

## Bentsen calls for single bank regulator

By Richard Waters in New York

Mr Lloyd Bentsen, US Treasury secretary, said yesterday he would press on with plans to bring all responsibility for bank regulation under a single body, despite harsh criticism of the plan from Federal Reserve chairman Alan Greenspan.

Mr Greenspan had claimed that the plan, which would strip the Fed of direct involvement in bank regulation, would make it harder for the central bank to carry out its other functions.

In response, Mr Bentsen said yesterday: "Bank regulation is not essential to the conduct of monetary policy." Under the Clinton administration's proposed new regulatory system, the Fed would retain its existing authority over the discount window and payment system," he added.

The Fed fears that, if stripped of regulation, it will no longer have immediate first-hand knowledge of commercial banks' activities, making it difficult to judge how banks are responding to changes in monetary policy.

Mr Bentsen said, though, that the proposed new Federal Banking Commission would make all information available to the Fed, allowing it to do its job unhindered.

"We have carefully considered the Fed's arguments, but we find them unpersuasive," he said.

## China and Japan skew US deficit

By Michael Proulx

The US trade deficit is becoming increasingly unbalanced regionally, with most of the shortfall accounted for by Japan and China, official figures indicated yesterday.

The overall merchandise trade deficit declined slightly in October, to \$10.45bn (\$7bn), against \$10.63bn in September, roughly in line with analysts' projections.

However, the deficit with Japan rose 14 per cent to \$6.1bn, the highest level since November 1990. The deficit with China rose 8 per cent to \$2.7bn. For the year to date the combined deficit with Japan and China was \$67.5bn, more than two thirds of the overall deficit.

By contrast, trade with the European Union is virtually in balance, with a negligible US deficit of \$11m so far this year.

## Packwood diary order

Senator Robert Packwood of Oregon has been ordered to hand over his diaries to a federal court until the judge decides whether the Senate may seize them for its investigation of Mr Packwood on charges of sexual harassment, George Graham writes.

Judge Thomas Penfield Jackson said he wanted temporary custody of the diaries - around 8,000 pages transcribed from tapes - in their entirety while he decided on a request by the Senate ethics committee for a court order compelling Mr Packwood to hand them over.

## Mexico City rail contract awarded

By Damien Fraser in Mexico City

A consortium of Mexican construction companies and Bombardier, the Canadian transport group, has won the concession to build and operate an urban railway system in Mexico City at a cost of about \$650m (\$438m).

The light railway will be the first large public transport project in Mexico that has been handed over to the private sector. The consortium will operate the railway for 18 years and eight months, collect all revenues from passengers, and assume financial risk of the investment.

The service will connect the north-west of Mexico City with the centre, cover about 21km and include 27 stations. It is estimated that the railway will take about 50,000 cars off the road each day, and help reduce Mexico City's notoriously high pollution levels.

The winning consortium is made up of Tribasa, Grupo Mexicano de Desarrollo and Rio-

do. Bombardier will supply about \$300m of the equipment and is expected to provide some of the financing through loans from Canadian banks and the country's export-import bank.

While Tribasa and its partners have been chosen by the government for the project, the terms and conditions of the contract still have to be negotiated and full financing obtained. However Tribasa did not foresee any problems that would prevent the project going ahead.

The train service should be ready by the end of 1996 or early 1997. Tribasa and partners are expected to charge users about \$1 per ride, much higher than the tariff on the subsidised and state-owned underground system. After the concession expires, the train service reverts to the government.

Tribasa reckons the government will award concessions for further light railway lines in Mexico City in the near future.



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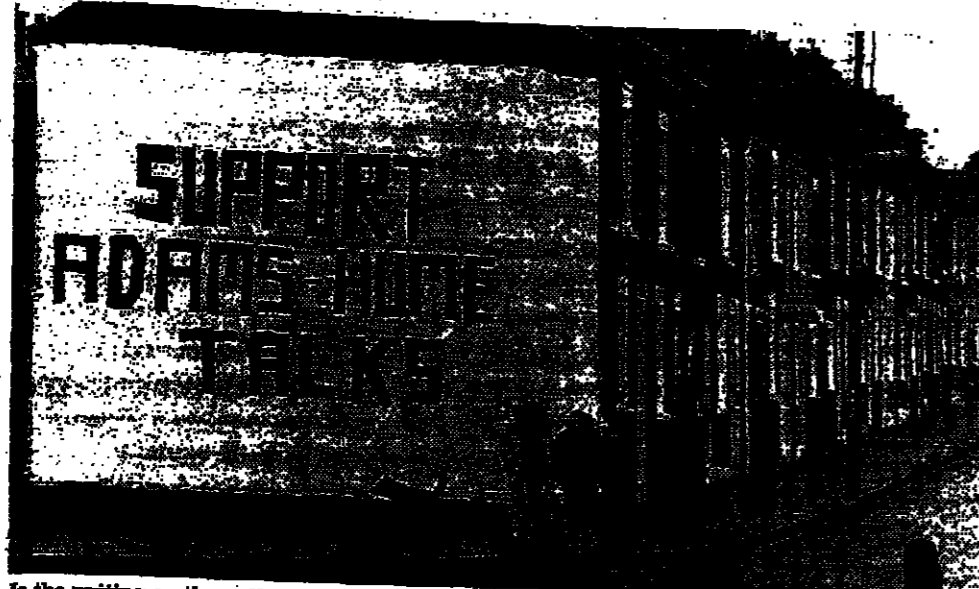
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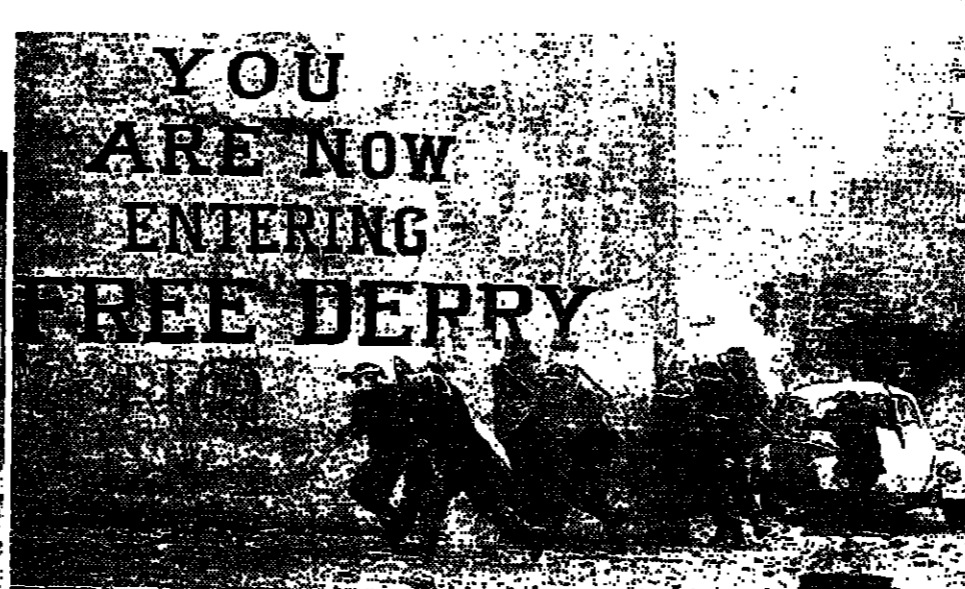


BOEING

سكوا متالاجل



Is the writing on the wall? Graffiti supporting the original Hume-Adams peace initiative pictured in Belfast earlier this month and an Army snatch squad in action in the Bogside, Londonderry, 1971



## Sinn Féin keeps Ulster peace hopes alive

By David Owen and Kevin Brown

Hopes of peace in Northern Ireland were kept alive yesterday when Sinn Féin said it would take time to consider in detail its response to this week's peace initiative by Mr John Major and Mr Albert Reynolds.

As the British government sought to reassure unionists at Westminster by giving the go-ahead for a Northern Ireland parliamentary select committee, Mr Gerry Adams, president of the IRA's political wing, said there were "no quick fixes" to the province's problems.

He said the Downing Street Declaration was the product of "frenzied activity" by the two governments after his talks with Mr John Hume, leader of the mainly Catholic Social Democratic and Labour party, had "focused them on this issue". He would be seeking clarification from Dublin on some aspects of Wednesday's statement.

Meanwhile at Westminster, Mr Major came under pressure from his own backbenches over whether the joint declaration diluted the government's commitment to the Union.

In an acid exchange, the prime min-

ister clashed with Mr Norman Lamont, over the former chancellor's assertion that the declaration stood "a little oddly" with his speech to October's Conservative party conference. In contrast to the cross-party plaudits in which the government had basked on Wednesday, there were further backbench rumblings in the wake of a signal from Sir Patrick Mayhew, Northern Ireland secretary, that the government might begin talks with Sinn Féin without waiting for the IRA to hand in its weapons.

One Tory MP accused the government of giving in to the terrorists.

Downing Street said the select committee decision - which was announced yesterday by Mr Tony Newton, the Commons leader - was not related to the declaration on Northern Ireland, which was "on a separate track."

Officials said the decision - which was not communicated in advance to either Mr Reynolds or Mr James Molyneux, the Ulster Unionist party leader - was taken by Mr Newton after consultation with Mr Major and Sir Patrick.

In spite of government denials, the announcement was widely seen as

part of a deal to ensure acceptance of the declaration by the UUP, the largest unionist grouping.

The UUP has campaigned vigorously for the committee, which it believes will help bring government arrangements for Northern Ireland into line with the rest of the UK.

There were strong indications last week that the government thought an undertaking to set up the select committee would make unionists at Westminster less likely to reject the text of the joint declaration given on Wednesday by Mr Reynolds and Mr Major.

## Talks possible before disarmament Republicans move to avert split over response to plan

By David Owen

The UK government was put on the defensive yesterday after Sir Patrick Mayhew, the Northern Ireland secretary, indicated it might enter preliminary dialogue with Sinn Féin without waiting for the IRA to hand in its weapons.

Sir Patrick's comments came less than 24 hours after Mr John Major, the prime minister, invited Sinn Féin to join the talks process within three months of an end to violence.

His remarks dismayed some Tory backbenchers, with one MP accusing the government of giving in to the terrorists.

Downing Street signalled that a secret message sent to the Provisionals on November 5, and made public later in the month, gave an indication of subjects the government would be prepared to address in exploratory meetings.

Officials acknowledged that while there was no question of an amnesty for IRA prisoners, the sentence of any prisoner could be reviewed under normal procedures: which took account of whether criminals were likely to reoffend.

The four-page November 5 message set out three purposes for the exploratory dialogue that the government originally

proposed entering into in January, in return for a permanent end to IRA violence.

These were:

- To explore the basis upon which Sinn Féin would come to be admitted to an "inclusive political talks process";
- To exchange views on how Sinn Féin would be able over a period to play the same part as the current constitutional parties in the public life of Northern Ireland; and
- To examine the practical consequences of the ending of violence.

At the first meeting of exploratory dialogue it was proposed that each party could

field up to three delegates plus possibly an additional group of advisers.

Interviewed on BBC Radio Ulster, Sir Patrick said: "At exploratory talks it would be highly relevant as to when and how arms should be surrendered."

He said: "You cannot be sitting on top of arms and at the same time saying you are for real when you say that violence is at an end."

Separately, he signalled the government would not automatically say any deal with Sinn Féin was off if one bomb exploded during the interim three months.

## Republicans move to avert split over response to plan

By Jimmy Burns in South Armagh

The IRA and its political wing Sinn Féin were yesterday continuing a tortuous series of consultations within their own ranks in an effort to avoid a damaging split emerging over the Major-Reynolds proposals.

Sinn Féin yesterday made its second statement in two days, underlining the need for more detailed consideration of the proposals and warning the public at large not to expect a "quick-fix" response from the IRA.

The Provisionals themselves had by last night yet to make a statement of their own, but headline IRA members are believed to remain unconvinced that the pressures emanating from Dublin and London do not represent anything more than an attempt to force them into an unconditional military surrender that would betray their support in the Republican movement.

Yesterday in the IRA heartland of South Armagh, next to the Irish border, there was no doubting the enormous hurdles that are yet to be overcome

before peace is finally settled. In the staunchly Republican town of Crossmaglen, the only war memorial is to the IRA dead and Republican tricolours fly above the rooftops.

Army helicopters circled overhead, as troops ran through side streets, ducking and diving. Seven members of security forces have been shot by IRA snipers in the area in the last 12 months and the soldiers were in no mood to take chances.

One local security source said: "The prime ministers might have signed their peace deal, and the IRA army council might be considering it, but the terrorists on the ground are still waiting to kill us."

Among the people of Crossmaglen yesterday, a feeling of war-weariness was matched by a conviction that the IRA should not allow itself to be forced into a permanent ceasefire without further concessions by the government.

Local republican and former civil rights activist Paddy Short said: "The terrorists here are not the IRA but the British army. The troops should go back to barracks first."

### Britain in brief



### 37% under Europe pay threshold

Over a third of the British workforce (37 per cent) now earns less than the Council of Europe's decency threshold of £5.75 an hour compared with 28.3 per cent in 1979, according to the latest report from Britain's Low Pay Unit.

The Unit also says that those in the bottom tenth of the earnings league now earn just 30 per cent of the earnings of those in the top tenth.

There has been a particularly sharp fall in the pay of young people since the abolition of minimum wage protection in 1986. 15-20 year olds now earn less than half the adult average wage, compared with 60.8 per cent in 1979.

### Independent seeks funds

Directors of The Independent newspaper will decide next week on a comprehensive business plan for the future which will involve a "redefinition" of the paper and a multi-million pound refinancing.

The statement by Newspaper Publishing would appear to rule out a takeover by either Associated Newspapers or Mirror Group Newspapers, both of which have expressed an interest.

This holds out the possibility that existing shareholders, including El Pais of Spain, and La Repubblica of Italy, could finance the new business plan without the need for new shareholders or a drastic change of ownership.

### Fuel levy to be frozen for 1994

The fossil fuel levy, the surcharge on electricity bills which subsidises the nuclear power industry and renewable energy, is to be held at ten pence for another year to avoid a further row over rising fuel bills.

Prof. Stephen Littlechild, the electricity regulator, who has to set the levy each year, said he considered this level to be the minimum necessary to raise the required funds, which amount to about £1.3bn a year.

In the past Prof. Littlechild has said that he thinks the levy should come down each year. Last year he cut it from 11 pence. However last year's cut meant that the levy did not raise enough money to cover the required subsidies. The Department of Trade and Industry, shaken by the row over the decision to impose

VAT on home heating fuels, is said to have rejected raising it this year and told him to freeze it instead.

### May Day to stay as holiday

May Day bank holiday is to be retained after a UK government decision to reverse plans to scrap the "socialist" day off, it was announced yesterday.

The change of heart follows a campaign by British industry not to switch the holiday to October because of the disruption it would cause to production between the August bank holiday and Christmas.

### Ford suspends night shifts

Ford, faced with sharply lower demand in Continental car markets, is to suspend night shift operations throughout January at its Halewood plant on Merseyside. The plant, which makes the Escort, has already been badly hit by the Continental downturn and has been on a three-day week since November 25.

Its 4,700 hourly-paid workers will resume five-day working when they return after the Christmas break on January 5 but suspending the night shift will reduce daily output from 1,000 cars to around 600. This means lost production of some 6,500 cars for the whole of January.

### BR track work to be sold off

British Rail is to privatise its track maintenance and renewal operations, the government announced. The activities to be sold off employ 33,500 people and have annual turnover of £1bn. The aim of the sale is to give Railtrack, the company which will manage British Rail's track and signalling, a choice of contractors, Mr Roger Freeman, minister for public transport said yesterday. It is not clear how profitable these activities are for BR but the government hopes for bids from civil engineering companies, electrical engineers and construction companies. It does not expect management buy-outs to emerge for these businesses.

### Train run by brain waves

A psychologist has created what could be the world's most expensive model train set. It costs £7,000 and was designed by stress-management expert Dr David Lewis. "The train is monitored by a small machine which reads brain waves," explained Dr Lewis. "It responds to electrical patterns in the brain associated with a relaxed state. As a subject starts to unwind the train moves around the track. The more they relax the faster it goes."

## Finding meaning between the lines

By Philip Stephens, Political Editor

The men of violence in Northern Ireland will be forgiven if they take some time to understand the Downing Street Declaration.

As one of the senior officials most closely involved in its drafting admitted this week, it is not a document that would win any prizes for plain English.

One of his Whitehall colleagues was less polite, describing the product of nearly two years of negotiation as "the

most badly-written declaration in Anglo-Irish history... and that's saying something".

The seven-page document released by the two prime ministers was the latest of more than 20 substantive drafts which had winged backwards and forwards from London and Dublin over the past few months. On Tuesday alone four versions were made.

The process started two years ago when Mr Reynolds met Mr Major in Downing Street. But the real work only got under way in the summer when the Irish prime minister

sent a draft peace declaration to Mr Major.

Whitehall insiders were yesterday prepared to admit what their political masters would not. Although work was going on before Mr John Hume of the SDLP started his talks with Mr Gerry Adams of Sinn Féin, the Hume-Adams initiative provided decisive impetus towards an agreement.

So too did the British government's own clandestine contacts with Sinn Féin.

Mr Major's meeting in Brussels with Reynolds in October provided the first break-

through with an agreed statement of general principle and an explicit call for an end to violence.

The key passages relating to unionist consent, self-determination, changes to the Irish constitution, and the establishment of an all-Ireland Forum all at one stage threatened the negotiations.

Sinn Féin might profit from the advice of one of its authors. To understand it: "You must read every sentence as a whole, every paragraph as a whole and then the statement as a whole."

## Shares rise after sharp drop in unemployment

By Emma Tucker, Economics Staff

Government claims that the economy is strong enough to withstand severe fiscal tightening in the Spring were strengthened yesterday by news that unemployment fell sharply in November, hitting its lowest level since August last year.

The seasonally adjusted jobless total dropped 36,100, after a revised 52,100 drop in October, to 2.81m, or a rate of 10 per cent. This was the second biggest monthly fall for four years, and took the cumulative drop in unemployment since January to 176,400.

The news, which came against a backdrop of low inflation, pushed share prices to an all-time closing high as investors raised their expectations for an early cut in interest rates. The FT-SE 100 share index closed up 32.4 at 3311.2. Sterling, after a morning slump, closed unchanged against the D-Mark at DM2.5450. Against the dollar it was just over half a cent stronger at \$1.6300.

Good figures on inflation earlier this week, pointing to a lack of price pressures in the economy, were reinforced yesterday by news that average earnings growth held steady at 3 per cent in the year to October. Optimism about economic prospects will be further fuelled by a Confederation of British Industry survey published today which says order books have improved in recent weeks, even though expectations about output increases have slipped back.

Mr David Hunt, the employ-

ment secretary said the fall - the eighth monthly drop so far this year - came as a "Christmas message of hope for unemployed people".

Both the level and rate of seasonally adjusted unemployment are now at their lowest levels since August last year. The rate of 10 per cent compares with 10.6 per cent in January when the number of people out of work and claiming benefit peaked at just below 3m. The separate rates in November were 13.5 per cent for men and 6.4 per cent for women. During the month, 28,000 men and 8,100 women left the count.

Unadjusted, unemployment dropped by 24,000 to 2.76m. It was last lower in June 1992.

There was an encouraging rise in the stock of vacancies, generally a good guide to future trends in unemployment. The stock of unfilled vacancies rose by 6,500 to its highest level for over 3 years, while new vacancies notified to Jobcentres - about one third of all vacancies in the economy - rose by 10,000 in November to the highest level for nearly three and a half years.

The figures also showed that in the three months to September, the workforce in employment rose by 86,000, the second successive quarterly rise. Manufacturing employment, however, fell in the third quarter.

Overall employment remains 7.3 per cent below the mid-1990s, while male employment is 10.3 per cent below its peak at the end of 1989. The 13.5 per cent rate of male unemployment is still higher than any readings since the 1930s.

For the Conservative party, 1993 has been about survival. Against the odds, it has survived. Despite the best endeavours of the Tory right, so too has Mr John Major.

For Mr John Smith's Labour party the aim has been to prosper from the government's misfortunes. Judged by the opinion polls it can claim success. The opposition has rarely been less than 20 points in front.

But the demeanour of the party's MPs and shadow cabinet members tells a different story. The confidence which comes with being ahead is mirrored by self-doubt over whether the lead can be sustained.

Mr Paddy Ashdown's Liberal Democrats, the most visibly successful this year of the opposition parties, are similarly ambivalent. The undoubted boost from famous victories in the Newbury and Christchurch by-elections has not been translated into additional punch at Westminster.

So it hardly surprising that weary ministers hosting Whitehall's usual Christmas parties have been permitting them-

selves the occasional smile. After lurching from crisis to crisis since the 1992 election, still being there is enough.

"Who knows" offered one minister offered only halfheartedly: "Next year we might start governing the country again".

The mood is shared on the Tory backbenches.

Peace in Northern Ireland would be an inestimable prize. Mr Major looked this week like a prime minister. His style during the Commons debate on the Anglo-Irish agreement was the most relaxed of the year. It encouraged him to return to the despatch box yesterday to take personal credit for Britain's role in brokering the Gatt world trade deal.

There is more unease than

### Political Notebook - Philip Stephens

## A seasonal change of mood

has yet surfaced publicly over the implications of the accord. Dealing with the IRA promises to be a messy business for a party attempting to rebuild a shattered reputation of law and order.

But the very fact that, save for Mr Norman Lamont's intervention yesterday, the dispute has remained below the surface says something about the changed mood on the backbenches. It is no longer possible to state with confidence that the Conservative party is bent on self-destruction.

It has brushed aside the revelation of Mr Major's clandestine contacts with the IRA, it has swallowed a dilution of the government's commitment to the unionists.

More broadly, it has applauded a Budget which will pave the way for bigger tax increases than ever contemplated by the Labour party. It has concentrated instead on the latest encouraging batch of economic statistics.

The legislation this week to curb statutory sick pay and increase National Insurance Contributions have raised hardly a murmur. The party's post-Maastricht tension has also eased as Mr Major has absorbed the rhetoric of the Eurosceptics.

The turnaround has been mirrored by restlessness on the Labour benches.

Never mind the opinion poll lead, direction is what counts in politics. Labour MPs fear

the wind may be about to change.

Grumbling about Mr Smith's leadership has spread from disident left-wingers to the shadow cabinet. The modernisers are fearful that the compromises made to win the One-Member-One-Vote confrontation with the trade unions have stalled the process of change.

Mr Smith is criticised even by some of his friends as remote. "What do we stand for" is a question asked these days as often by Labour as by Tory MPs.

But this picture is an uneven one. If Mr Major is rebuilding his self-confidence his colleagues say that his private mood is still brittle.

Few miss the contrast with the instinctive ebullience of Mr Kenneth Clarke, never more obvious than during the past few, post-Budget, weeks.

The prime minister has taken to drumming his fingers on the table during the irrepressible Mr Clarke's lengthy interventions at cabinet committee meetings. The line between friendship and rivalry in politics is a fine one.

Then there is the real world, untouched by the pathological swings of mood at Westminster. Out there, the voters will feel the pain of higher taxes, a squeeze on wage increases and the spending crunch for the welfare state. A modest economic upswing may not be enough to buy their forgiveness.

Mr Major has something to celebrate this Christmas. He is still in the game. He is more resilient and more willing to take risks than many of his critics have allowed him. The Conservatives are beginning to rediscover self-discipline. But so far at least it adds up to a seasonal change of mood rather than a sea change.

## Fiat to phase out Lancia

By John Griffiths

Fiat is to stop selling its Lancia cars in the UK and is phasing out production of right-hand drive Lancia models.

The decision marks the defeat of Fiat's decade-long struggle to revive the make's fortunes in the UK, after sales were devastated by a controversy over rusting at the end of the 1970s.

At their peak in 1978, Lancia sales reached 11,500.

However a year later allegations of excessive rust in the then-best selling Beta model badly damaged the marque's reputation, despite Fiat buying back cars from dissatisfied owners.

Since then sales have declined inexorably. In 1989 - the record year for total car sales - they were down to just over 3,000. Last year they totalled only 701 and up to last night 589 had been sold during the current year.

Fiat Auto (UK), the Fiat parent, said it was contacting all Lancia owners to assure them of continuing service, parts and warranty assistance.

Lancia owners with vehicles registered since August 1990 are also being issued with a coupon worth up to £1,500 redeemable on either a new Fiat or Alfa Romeo, which is also owned by the Fiat group.

Most of the 46 Lancia dealers, who are on 12-month con-

tracts, have a dual franchise with Fiat, whose own sales have risen by more than one third, from 31,000 in all of 1992 to 42,000 so far this year. Some dealers will also be offered the Alfa Romeo franchise as a Lancia substitute.

Until the rust scare, the UK was Lancia's largest right hand drive market, and its collapse has significantly reduced the incentive for Fiat to keep right-hand drive cars in production. Ireland, New Zealand, Hong Kong, Singapore, Cyprus and some African and Pacific rim markets have also accounted for a small volume of sales but future Lancias will not even be engineered for such markets.

## Government approves plan for Birmingham airport

By Paul Cheeswright, Midlands Correspondent

The government has given approval to a development plan for Birmingham International Airport which will give private sector companies a majority control and involve the raising of up to £400m for investment over the next ten years.

The seven district councils which own the airport yesterday said Lord Calthorpe, the aviation minister, had been informed of their plans for funding a new development

plan "and looks forward to seeing these plans carried forward."

The airport is owned by the local authorities of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton.

By mid-1994, the airport shareholders expect to be negotiating with potential private sector investors. They would like two or three partners.

"The preference would be organisations which are committed to the region and understand the Midlands and see the long term view of the Midlands

we must take," said Mr Brian Summers, the airport's deputy managing director.

Once private sector shareholders have a majority of the equity, the airport company would be freed of public borrowing restrictions.

The corporate and financing plans are being drawn up in the expectation that the number of passengers handled by the airport will more than double to 11m by 2005 and that this will require substantial investment in new technical facilities, a runway extension and a third terminal.

## RECRUITMENT

## JOBS: Two contrasting viewpoints on the failure of theorists to chart the route to social progress

One thing the Jobs column has marvelled at these past 20 years is that people as busy as you readers find time to glance through it at all. So it is probably tempting fate to start its last appearance before January by recommending books for you to pore over in the meantime.

But, even at the risk of seeming bumptious to boot, that is what it is going to do. The reason is that the scarcely credible changes which have lately overtaken the world we work in are still far from fully appreciated, and the two tomes in question go a fair way towards driving them home.

Take for example the demise of planned economies. Their failure to match up to the market-driven kind seems to strike most people as clear disproof of the socialist theory that co-operation could triumph over competitive human nature. But few of us apparently recognise that the same human foible is just as much an obstacle to the theory of free trade.

One of the rare exceptions is the American author Edward Luttwak. His latest book argues that, while the break up of the Soviet Union may have ruled out military war between top nations, they are sure to go on battling with each other for industrial

dominance, and it is only those armed with effective industrial policies that will be able to provide worthwhile jobs for large chunks of their population.

Companies from the winning nations will buy up the losers' best outfits, transferring senior posts to their own home lands. Elsewhere, the highest hope for most natives will be a middle-management job in a group run colonial-style from abroad.

Moreover, although the book's title is *The Endangered American Dream*, Dr Luttwak makes clear that the danger he fears is not confined to the US. Indeed the country he holds up as a warning is Britain, which he thinks has already sacrificed much of its hope of prosperity to theoretical dreams of free trade.

But the onslaught on such theories is taken still farther by the other book called *Shame and Necessity*, which, despite being less immediately relevant to

*Simon & Schuster, \$24.*

*University of California Press.*

*UK distributor John Wiley, £20.*

workaday issues, is at least as good a read. Its author is the philosopher Bernard Williams, and his focus is the really ancient Greeks - those who lived before the heyday of Socrates in the fifth century BC - who he thinks offer us important lessons, not least because their very different ideas of morality were by no means inferior to ours.

Among other things, they were less reluctant to face the fact that might is often in effect the same thing as right, and were better at persuading holders of power that obligations go with it. For example, those seen to have misused their power did not expect to get away by keeping their admissions to the minimum feasible, and adopting a lower profile. The accepted penalty was a public display, not of mere guilt, but of shame which in the extreme case demanded suicide.

In short, the oldest Greeks believed that the tolerable running of a society is dependent on the will of individual citizens to act morally - a view which has since been superseded by theories

that social progress depends on suprahuman forces, such as Marx's dynamics of history and Adam Smith's invisible hand.

Professor Williams argues that the theories have failed to serve as an adequate substitute for the personal moral code of the pre-Socratic Greeks. But his belief that we have much to learn from them doesn't extend to advising us to re-adopt their principles entirely, which the Jobs column thinks is in some ways a pity.

Misuses of power strike me as on the increase, and if it takes shames to curb them, so be it. Certainly I'd prefer to stop short of obliging offenders to shed their blood. But that would at least make for a more dignified mode of exit than the quiet acceptance of a few thousands from taxpayers' funds, with which sacked British ministers apparently soften their downfall nowadays.

Finally this year to the more seasonal topic represented by the table to the right, which gives a guide to the cost of acquiring and trying to escape from a hang-

over in 18 international centres. The figures have again been not just supplied, but double checked, by the Rumzheim consultancy of Rochester, Wisconsin.

First comes the acquisition stage: the local prices of a litre apiece of particular although

undisclosed brands of whisky and of vodka, followed by the average price of both as the "on-cost".

The next four columns cover the attempt to escape: 100 branded aspirin, 36 Alfa Romeo (except in Tokyo and Cairo where they are apparently not on sale).

and half a pound of instant coffee, which are also averaged out as the "off-cost". The final column lumps the on and the off together to give the total damage, ... to the pocket at any rate.

Which said, I wish you all the compliments of the season, and hope to meet you again in the first week of January.

Michael Dixon

THE PRICE OF SEASONAL OVER-INDULGENCE AROUND THE WORLD

City	1 litre Scotch	1 litre Vodka	Average on-cost	100 Aspirin	36 Alfa Romeo	Box Coffee	Average off-cost	Average full cost
Tokyo	28.20	18.81	23.01	18.26	-	8.28	13.27	36.28
Copenhagen	30.95	21.09	26.02	4.90	2.99	5.86	4.58	30.60
Singapore	30.14	24.17	27.16	5.05	4.88	3.17	4.37	31.53
Stockholm	24.93	21.05	22.99	4.21	2.48	4.24	3.64	26.63
Hong Kong	17.76	17.72	17.74	6.58	3.77	3.29	4.55	22.29
Vienna	18.55	11.41	14.98	6.80	5.57	5.81	4.39	20.80
Sydney	17.40	15.79	16.60	4.61	4.38	2.80	4.17	19.67
London	16.12	14.87	15.50	6.32	3.30	2.90	4.17	19.21
Cairo	16.90	16.90	16.90	0.46	-	4.15	2.31	16.40
Amsterdam	13.93	11.43	12.68	9.20	4.04	3.91	5.72	18.00
Frankfurt	14.35	7.05	10.70	8.43	7.55	5.92	7.30	16.90
Paris	13.68	11.05	12.37	3.93	3.70	5.22	4.28	16.38
New York	16.74	8.01	12.38	6.01	2.77	3.22	4.11	16.04
Brussels	13.84	10.86	12.25	3.58	3.67	2.72	2.96	14.85
Toronto	12.87	10.91	11.89	3.65	2.53	2.72	2.96	13.38
Milan	8.29	6.43	8.86	8.94	5.28	5.66	6.52	13.22
Moscow	10.41	6.19	8.30	8.20	3.28	3.28	4.92	12.24
Madrid	9.24	5.94	7.59	6.41	4.28	3.26	4.65	12.24

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The Lesotho Highlands Water Project is one of the world's major multipurpose water supply and hydropower projects. Construction of the US\$1 800 million Phase 1A commenced in 1987 and will go into operation in 1996. Preparations are underway for Phase 1B of the Project, and plans are in place for additional phases extending through to the year 2020. The Project will ultimately provide approximately 40% of the water supply requirements of the Freetown - Johannesburg area of South Africa and make Lesotho essentially self-sufficient in the production of electric power.

Finance for the project is being provided by a wide range of multilateral and bilateral donors, export credits agencies and commercial banks in the Southern Africa region and overseas.

The Phase 1A of the project involves building of a 182m high arch dam with a crest length of 710m, about 82km of tunnels and a hydropower plant. Phase 1B similarly involves an approximately 150m high dam (type to be determined), and more than 30km of tunnels.

The Lesotho Highlands Development Authority was established by the Government of the Kingdom of Lesotho in 1986 as a Statutory Body to implement, operate and maintain the portions of the Project which are located in Lesotho.

Reporting to the Authority's Chief Executive, the Deputy Chief Executive Engineering and Construction will be responsible for four of the Authority's twelve divisions covering project planning and economic studies, feasibility studies, planning and design, construction, technical procurement, and water resources.

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- coordination of the development and implementation of strategies, policies and action plans for the engineering and construction operations of the Authority;
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Applicants who consider that they have suitable academic qualifications and relevant experience in managing large water resources projects should submit applications with their curriculum vitae to:

The Chief Executive,  
Lesotho Highlands Development Authority,  
P.O. Box 7332, Maseru, Lesotho  
Tel: (266) 311 280 Telefax: (266) 310 060

The closing date for applications is 28 February 1994.

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Applications by December 31 to Robin Pauley, Deputy Managing Editor, Number One Southwark Bridge, London, SE1 9HL.

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## ACCOUNTANCY COLUMN

## Spectres linger at War on Want battleground

An announcement last week from the accountancy profession's Joint Disciplinary Scheme, its highest investigative body, has reopened some painful old sores in a landmark case of poor financial management and auditing of charities.

The issue to be examined is the conduct of Somers Baker, a small London-based accountancy practice, and its audit of War on Want, the Third World charity which gained some notoriety for its financial difficulties three years ago.

The charity has changed fundamentally since that time and now appears relatively healthy. The robustness of some of the other organisations involved and the degree to which the lessons raised by the case have been learnt is more open to question.

War on Want was founded in 1959 by Victor Collaer, the radical publisher, and Harold Wilson, later to be prime minister. It aimed to be a campaigning organisation, which courted criticism but allowed it to highlight issues in development now far more widely discussed: such as the central role of women and the issue of debt.

But the battles with the outside world were more than matched by bloody internal feuds. Deep political rifts and personal rifts developed, financial management was neglected, and War on Want was brought to the brink of insolvency by early 1990.

The concerns led to an investigation unprecedented in scope by the Charity Commission. It appointed two outside inspectors who battled with incomplete records and inaccessible personnel members to compile a series of damning findings.

Mr George Galloway, who was gen-

eral secretary of the charity in 1983-87, told the inspectors that War on Want "seemed often at war with itself... no two members of staff saw eye to eye on most things. [There was] deep and almost unbelievable civil war".

While Galloway himself received critical attention in the mid-1980s over concerns about his expenses, the inspectors' report suggests these concerns were minor compared with the wider conduct of the charity. The essential difficulty was a failure to distinguish between War on Want's own "general" income and expenditure, and that pledged or "restricted" to charitable purposes.

In particular, there was confusion between the charity's accounts and those of two groups set up to provide long-term relief in Africa: the Eritrean Inter Agency Consortium and the Tigray Transport and Agriculture Consortium. There were not, for example, separate bank accounts for these entities.

The result, according to the Charity Commission inspectors, was material misstatement of the audited accounts in every year during 1985-89. The general fund reserves in the audited accounts for the year to March 1985 were £485,256; adjusted by the inspectors, they were £332,256. By the year to March 1989, the audited accounts showed £1,163,502; the inspectors restated them as a £41,497 deficit.

The confusion led to the charity undertaking projects it may not have been able to afford, and diverting money provided by donors to activ-

ities other than those for which they had been solicited. Loans which should not have been approved were also made from the charity to its trading subsidiaries.

Few escape unscathed from the scrutiny of the inspectors. The members of the council of management, the officers, general secretaries, finance officers and auditors all come in for criticism. Both the trustees and the auditors appeared to place too much reliance on each other.

Hardly any of the elected council expressed any interest or possessed any skills in financial or legal issues. As Galloway told the inspectors: "No one wanted to sit on any committees except the programmes committee... which was talking about exotic places."

As far as the Joint Disciplinary Scheme is concerned, the findings against Somers Baker appear powerful. Mr Frank Weinberg, one of the two partners in the firm and the one in charge of the audit, has since refused to comment publicly.

The firm had been both accountant and auditor to War on Want since 1980, and also took on the job as auditor to the consortium. It was involved in the recruitment of a finance officer, an investigation into the general secretary's expenses, a review of accounting systems, and a study into the feasibility of relocating the headquarters. Its total fees during 1985-89 were £51,520.

The inspectors heard from Mr Weinberg, but were frustrated in their examination because Somers Baker

told them that many of its working papers had been mislaid or destroyed in a fire.

They none the less determined that the firm failed to carry out proper tests which would have revealed that the accounting system was not functioning and material errors could result. "We have to conclude that Somers Baker's errors were serious; overall this was a poor auditing performance," they said.

The inspectors found no evidence of audit planning, partner review of programme prior to audit, review of working papers at the conclusion, review of post balance sheet events, or the appropriateness of the going concern basis for the accounts.

For the two years to March 1987, no qualified staff worked with Weinberg on the audit. Not all work was documented, and he confirmed that he sometimes relied on his own long-standing involvement to make judgments without always recording his decisions and actions.

Somers Baker has to some extent already paid the price for these omissions. Faced with a writ claiming damages of more than £2m from the charity, it settled out of court in October for £308,500. It appears that the firm has also been twice visited by the Joint Monitoring Unit, charged with audit regulation to assess its capability to practice. It remains registered.

War on Want went through a management transformation, with a new director and trustees, changes to the

constitution, separate bank accounts and professional advice to improve its systems. Its accounts - which have received an unqualified opinion - clearly label "restricted" and "general" funds. They show a solvent organisation with rising donations.

Self-regulation within accountancy has again been called into question for the glacial speed of action over the case. The inspectors' report was published in February 1991. It will have taken more than three years before any verdict is made some time in 1994.

Many in the charity sector have taken heed of the findings of the report informally. But the ambitious recommendations made at the start of the report by the Charity Commission inspectors - at a time when charity law was under review for the first time in two decades - have been largely neglected.

They suggested that for larger charities, the Commissioners should have additional supervisory powers; that there should be a list of approved auditors; and a requirement on auditors to report to the Charity Commission. They argued for a minimum number of trustees with proven financial or legal expertise and charity experience. They called for special rules dealing with consortia. No such recommendations have been implemented.

In their absence, the report still provides an object lesson for those involved in the management of charities.

As Mr Clampi Alhadeff, War on Want's director since the restructuring, puts it: "If there is a lesson, it is that the trustees are the owners and guardians. There is no responsibility more onerous than on trustees."

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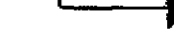
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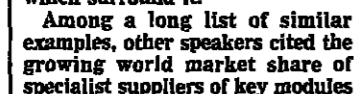
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Burgundy Bonded Leather	CS	£149.95	£149.95	£149.95
Black Leather	CSL	£149.95	£149.95	£149.95
Burgundy Bonded Leather	CSB	£149.95	£149.95	£149.95
Black Leathercloth	CSLC	£149.95	£149.95	£149.95
Desk Diary, Black Leather	DD	£49.95	£49.95	£49.95
Desk Diary, Burgundy Bonded Leather	DDB	£49.95	£49.95	£49.95
Desk Diary, Black Leathercloth	DDLC	£49.95	£49.95	£49.95
Pocket Diary, Black Leather	PD	£29.95	£29.95	£29.95
Pocket Diary, Burgundy Bonded Leather	PDB	£29.95	£29.95	£29.95
Pocket Diary, Black Leathercloth	PDL	£29.95	£29.95	£29.95
EURO Diary	ED	£149.95	£149.95	£149.95
EURO Diary, Black Leather	EDL	£149.95	£149.95	£149.95
EURO Diary, Burgundy Bonded Leather	EDB	£149.95	£149.95	£149.95
EURO Diary, Black Leathercloth	EDLC	£149.95	£149.95	£149.95
EURO Diary, Gold Blocking	EDG	£149.95	£149.95	£149.95
EURO Diary, Gold Blocking (Black Leather)	EDGL	£149.95	£149.95	£149.95
EURO Diary, Gold Blocking (Burgundy Bonded Leather)	EDGB	£149.95	£149.95	£149.95
EURO Diary, Gold Blocking (Black Leathercloth)	EDGLC	£149.95	£149.95	£149.95
EURO Diary, Gold Blocking (Black Leather)	EDGLB	£149.95	£149.95	£149.95
EURO Diary, Gold Blocking (Burgundy Bonded Leather)	EDGBL	£149.95	£149.95	£149.95
EURO Diary, Gold Blocking (Black Leathercloth)	EDGBLC	£149.95	£149.95	£149.95
EURO Diary, Gold Blocking (Black Leather)	EDGBLB	£149.95	£149.95	£149.95
EURO Diary, Gold Blocking (Burgundy Bonded Leather)	EDGBLB	£149.95	£149.95	£149.95
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EURO Diary, Gold Blocking (Black Leathercloth)	EDGBLB	£149.95	£149.95	£149.95
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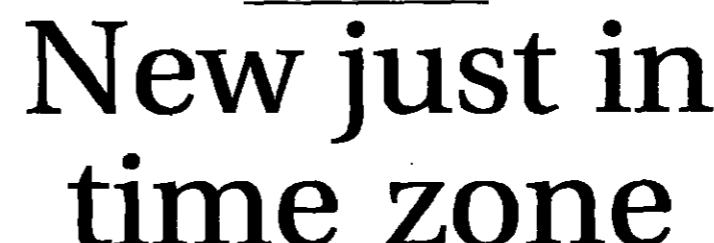
# Conventional strategic wisdom takes a knock



A good start, says Prabalad, is to recognise the importance of the technology trade balance between two companies – which in the case of multinationals “is increasingly more important than that between countries”. This recognition, in turn, underlines the vital impor-

what Prahalad calls "inter-cluster competition" - as between Matsushita and Sony/Philips in compact disc players, for instance, or Intel versus Motorola in computers. Allowing for such exaggeration, Prahalad's revisionism is correct - as it is on market share

Furthermore, their relations with suppliers remain antagonistic, partly because US food and household goods manufacturers have not faced the competitive spur of cheap imports which prompted makers of textiles, toys and consumer electronics goods to co-operate closely.



Although manufacturers originally launched promotional deals to drum up sales, many have grown disenchanted. Some, such as P&G, have recently tried unilaterally to

Industry co-operation would also improve supermarkets' use of sales space, speed stock replenishment

Once ECR provides that information, it seems certain to add to the pressures for a further shake-out of products which are failing to earn

## هكذا من الاصل

Louise Kehoe reports on a warning that the US communications industry could be strangled by red tape

## Blocks on the superhighway

Excessive government regulation could put a road block on the "information superhighway", the US Council on Competitiveness, an independent group of US industry executives, academics and labour leaders, warns in a new report on communications competition policy issued yesterday.

"Just as the nation is poised to deliver a seamless web of communications and information products and services, we find ourselves stymied by a tangled web of regulations and public policies," the report says.

The vision of multi-media information, communications and interactive entertainment services distributed on high-speed networks is spawning a frenzy of mergers and alliances which is reshaping the US communications industry.

Cable television, telephone, broadcasting, computing, publishing, wireless communications and power companies are currently rapidly

converging as new technologies create overlapping markets.

As this industry fusion takes place, US regulators and legislators are struggling to keep pace. Next month, the Clinton administration, which has made the creation of an advanced "National Information Infrastructure" the central element of its technology policy, is scheduled to publish proposals for a new Communications Act.

This landmark legislation, drafted by an inter-agency team headed by vice president Al Gore, will establish new "rules of the road" for the information superhighway. Industry leaders hope it will also dismantle the restrictions and regulations that provide US regional telephone companies and cable TV operators with local market monopolies while preventing them from directly competing with one another.

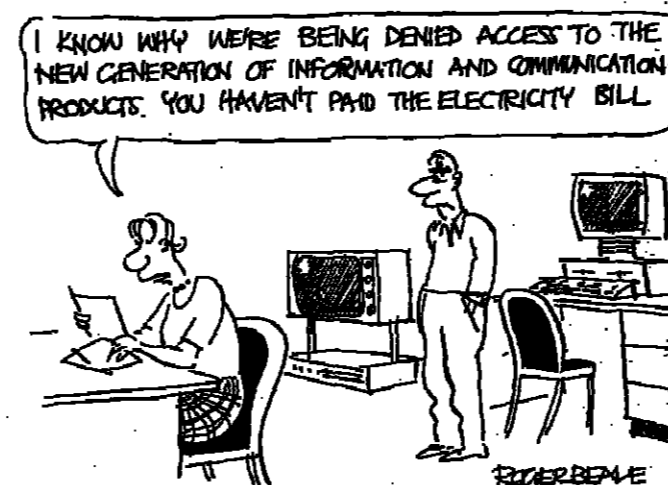
The Council report states: "The National Information Infrastructure will only develop fully if competition can flourish at all levels. It is

imperative that industry and government focus on removing obstacles to competition in the immediate future."

The Council has achieved a consensus among key industry factions which are often on opposite sides of regulatory issues. These include long-distance telephone companies such as AT&T, regional telephone companies such as Pacific Bell and Nynex, and cable TV companies such as TCI and Viacom.

"We are all agreed that everyone should be able to compete in any part of the communications business," says John Young, retired chief executive of Hewlett-Packard and co-chairman of the Council's 21st century information infrastructure project. "The question is what are the transition rules that can get you from regulated monopolies to open competition."

To enlarge competition, the Council recommends the "unbundling of essential services" by all communications providers, including



regional telephone companies. This would encourage new entrants into the market by enabling them, for example, to make use of existing networks and switching equipment. At the same time, the Council recommends dominant existing communications companies should be given greater flexibility in determining prices for their services.

Council members also agreed that all service providers should share the cost of providing "universal service" at minimal prices, a key tenet of the administration's policy. Currently, local telephone companies provide basic local telephone services at minimal prices. Typically, the phone companies subsidise these by charging higher prices for business services.

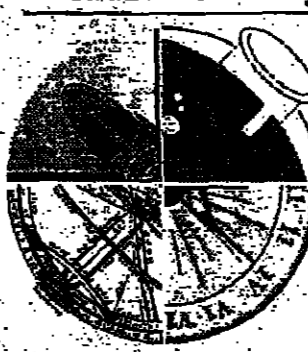
"If some Teleport comes in and wants to compete in just the busi-

ness market, they are going to have to contribute" to the cost of universal service, Young explains. The Council also agreed on the contentious issue of allowing regulated service providers to enter new markets. Regional telephone companies, for example, are prohibited from entering the long-distance telephone service market and from providing video programming.

Council members differed strongly, however, on whether new competitors should be allowed to achieve a specified share of an established provider's market before restrictions on entering new businesses are lifted.

**Competition Policy: Unlocking the National Information Infrastructure.** Council on Competitiveness, 900 17th St NW, Suite 1050, Washington, DC 20006. \$25.00.

### Worth Watching · Della Bradshaw



#### Battery that packs its own recharger

If you are wondering whether to stick to primary batteries or whether to invest in a recharger, the solution could be the "Flip Top", a battery which contains its own recharging unit.

The bright pink top of the nickel cadmium battery flips over to reveal a two-pin plug. This can be plugged into a standard US electricity socket where the battery is recharged.

The battery incorporates a miniature charging circuit and a 1.25 volt cell in a standard size casing. The battery can be charged more than 500 times according to manufacturers Power Battery Holding Corporation, of Bellevue, Washington.

At the moment Power Battery Holding Corporation makes a size D battery only and just for the US market, but other sizes are planned. Power Battery Holding Corporation: US, 206 641 7155.

#### UK's most popular technology devices

Ten years after the launch of the IBM personal computer in the UK, the PC has become one of the top three technological devices in use in Britain.

Not surprisingly the most popular device was the remote control unit - 86 per cent of homes have those - followed by the microwave oven, which inhabits 69 per cent of UK homes. One in three households (32 per cent) now own a PC, while 42 per cent of respondents said they used a PC at home or work. The survey was conducted by Gallup for IBM. IBM: UK, 0705 561000.

#### Dialling a lower lighting bill

Few businesses would even consider that their internal phone

system could help cut the lighting bills. But Morgan Automation, of Liss, Hampshire, has developed a telephone-controlled lighting system which, the manufacturer says, can cut lighting bills by more than 40 per cent.

As staff enter the building they trigger a core of essential lighting. They then control the lighting around their desks by dialling specified numbers on their phones. Typically 70 per cent of the lighting in an office block could be controlled through the phone network.

The Morgan system incorporates a computer which links the lighting and phone systems. The smallest system costs around £13,000. Morgan Automation: UK, 0759 885900.

#### Speedier tests for infectious diseases

Testing for infectious diseases such as HIV can be time-consuming. A Vancouver company has developed a test which can give the results in minutes by testing saliva rather than blood.

The test, developed by Saliva Diagnostic Systems (SDS), involves placing a specially developed swab in the mouth. When enough saliva has been collected the stick attached to the swab turns blue. The device is then inserted into a waiting fluid-filled tube. As the assay recognises the existence or absence of the HIV antibodies, the colour changes. SDS: US, 206 696 4800; UK, 071 415 0550.

#### Yuletide greetings delivered by fax

For those who cannot bear the thought of writing out and posting Christmas cards, how about faxing the season's greetings to your clients?

Xpedite, the York-based arm of the US company, is offering its clients the chance to send the season's greetings by fax. Xpedite specialises in sending broadcast fax messages - where a single message is sent to hundreds, even thousands, of different locations. Clients typically include financial services companies wanting to keep in touch with their intermediaries or travel companies wishing to send details of late bookings to travel agents. Each "card", decorated with bells, angels or a snowman, costs 12p to send. Xpedite: UK, 0804 690000.

## Europe switches over to digital TV

A year ago, a fierce political and technological argument about the future of the European strategy to develop advanced, cinema-quality television raged between European ministers.

Strong words were exchanged - particularly between Britain, which was blocking funding for high-definition television (HDTV), and its EC partners. The issue was even discussed informally by prime ministers and presidents during last December's Edinburgh summit.

Since then, the political fizz has gone out of the issue. This month, the same telecoms ministers who promised to fight to the final TV set to defend certain HDTV transmission standards, passed a resolution supporting new initiatives to develop digital television - a more versatile technology than the analogue systems originally backed by Europe. The words "high definition" were not even mentioned in the ministers' final communiqué.

### Andrew Hill explains why the political fizz has gone out of HDTV

The change of tack follows June's meeting of telecoms ministers, at which Britain finally agreed to back a much-diluted plan for Ecu220m (£174m) of European Union funding to promote wide-screen television services over the next four years. The plan, unlike the original Ecu500m proposal of the European Commission, is not linked to particular satellite transmission standards. Indeed, the latest ministerial meeting laid the groundwork for the rewriting of a 1981 directive so as to remove most references to mandatory standards.

This does not mean that HDTV has been abandoned completely. But in the medium term, the Commission and the ministers have recognised that digital television of standard or enhanced quality offers

greater opportunities to the European consumer electronics industry.

The EU is pinning its hopes on the Digital Video Broadcasting Group, formed in September under the aegis of the German telecoms ministry. This group unites 120 interested parties, including television manufacturers, broadcasters, satellite operators, governments and the Commission itself, behind a digital strategy.

One of the group's aims is to come up with common European standards for transmission and pay-TV decoders, but it seems unlikely that these will be made mandatory unless it is obvious that consumers have taken to them. The digital group is expected to talk to the European standard-setting bodies, Etsi and Cenelec, shortly

about a multiplex digital standard for Europe (that is, a standard which allows several channels to be broadcast on each digital signal). This could be formalised by the end of next year.

This time round, common European standards will not be used to fight US and Japanese competition. As Jos Kestens of Cenelec said last week: "Standards are tools and not weapons." The Commission has already said that it would be desirable for systems serving the main world-wide markets to share as many elements as possible, although a worldwide standard is unlikely because of technical differences.

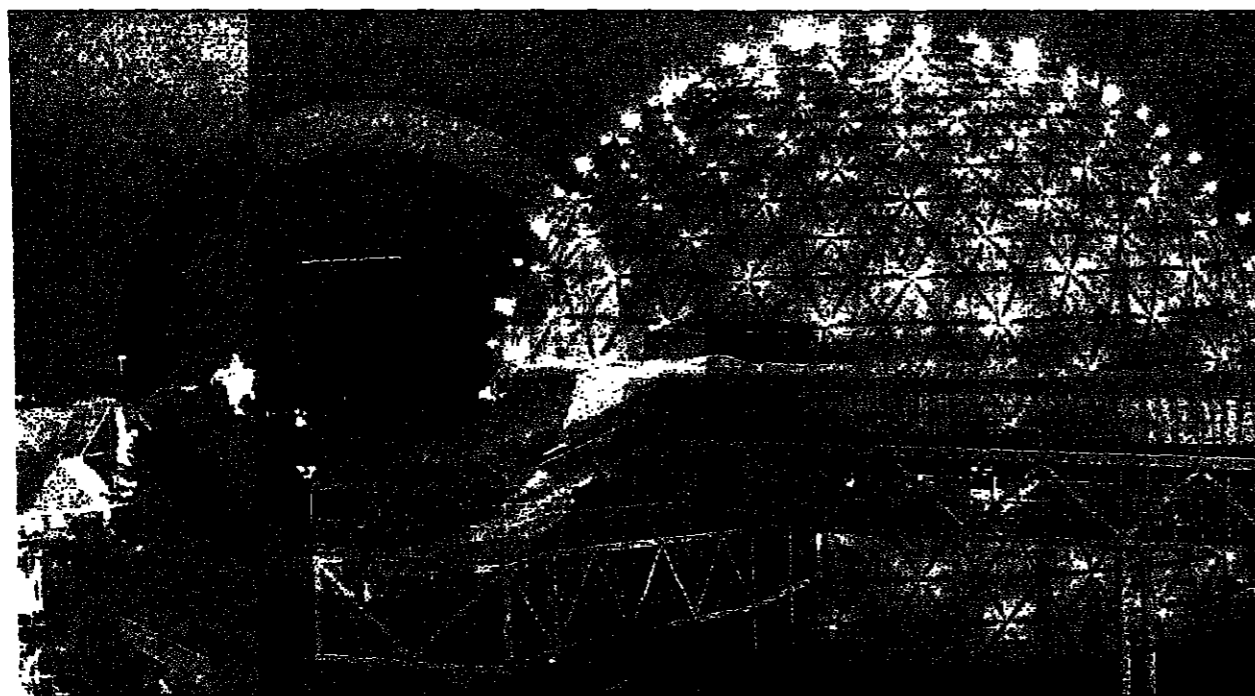
But the Commission and ministers do want to avoid a proliferation of competing systems in Europe. That applies to systems for encoding - or, to use the satellite TV jargon, "encrypting" - subscription satellite channels, as well as the transmission standards themselves.

The hope is that co-operation under the umbrella of the digital group will deter broadcasters and manufacturers from developing incompatible technological systems at great cost.

Ministers also hope that competing satellite broadcasters will think twice before developing widely different encryption systems to protect themselves from increasingly sophisticated pay-TV pirates. Instead of living rooms cluttered up with a variety of different decoders, one for each pay-TV channel the consumer wants to receive, officials believe it should be possible to develop a single European family of encryption standards, perhaps based on "smart" access cards.

Whatever happens, governments are unlikely to fall again into the trap of dictating exactly what sort of pictures the European television viewer will watch in the 21st century, and how these pictures reach the screens.

## PACIFIC QUAY



In its time the River Clyde has seen the launch of many of the world's most famous ships, whilst its docks and quay sides have been the starting point for ocean voyages around the globe.

Now the Glasgow Development Agency is proud to announce the launch of its new flagship - Pacific Quay - a 60 acre leisure and business development of international quality on the River Clyde right in the heart of Glasgow.

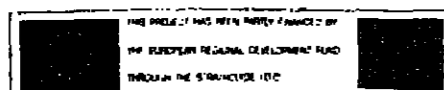
Pacific Quay is an outstanding site which merits an exceptional development. In order to realise this aim, the Agency intends to form a partnership with one or more companies with the experience and capabilities required to bring about a major mixed-use project.

Developers and leisure companies with relevant experience are invited to register their interest.

Development details for submissions are available from:

Colin Morris  
Project Director  
Glasgow Development Agency  
Atrium Court  
50 Waterloo Street  
Glasgow G2 8HG

Tel 041 204 1111  
Fax 041 242 8250



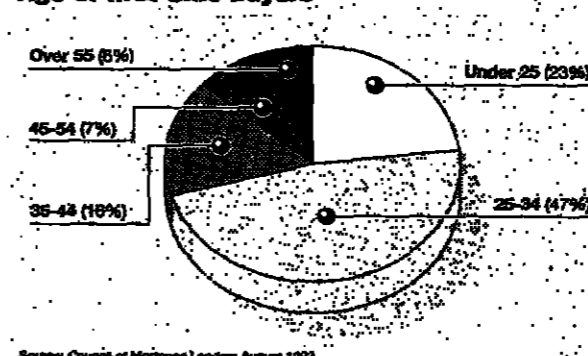
PACIFIC QUAY



## Signs of life stirring in house and home

Hugh Mulcahey on a climate encouraging steady investment

### Age of first-time buyers



Source: Council of Mortgage Lenders August 1993

UK residential property, which in recent years has been a burden round the necks of many investors, is becoming an area worth looking at again. The widely publicised problems of many individuals, who are suffering negative equity with mortgages higher than the value of their property, and companies burdened with debts should not distract potential investors from current opportunities. Housing market activity and foreign investment appear to be picking up.

One sign that the market is far from dead was the recent sale of the newly renovated 9 Tregunter Road, Chelsea, for about £2m. And Far Eastern confidence in the prime market in the core of London seems to be strong: nine houses at Cambridge Gate, overlooking Regent's Park, have been sold on a 150-year lease to Singaporean developers. They aim to convert the property into flats and houses with a development value of more than £30m.

Foreign money has been attracted into the prime market since the revaluation of the pound, after its departure last year from the European exchange rate mechanism. Overseas purchasers now account for about half of the prime market, and are estimated to have invested more than £500m in central London. Agents report a rise in residential land prices in and around the capital.

But could investors and developers be mistaken in their optimism? Although the prime market depends, to a large extent, on cash-rich foreign investors, it cannot be entirely separated from the UK market as a whole. The residential market is driven by first-time buyers. Next year, the number of 28-year-olds - the average age of a first-time buyer - in the population is set to peak, as the effects of the 1960s population boom work their way through. This group contains many who have been resisting home ownership since 1988. It is also the section of the population most likely to have children, and to want a family home.

But this market includes those who can wait a little longer for a home and those whose domestic requirements have changed while they have been waiting to buy. As a result, in the medium term, the UK residential market is likely

to be more mature and more stable than in the 1980s. A steadier demand for homes should reduce the likelihood of the market overheating - and produce the ideal climate for the overseas investor.

The stability of the market does not preclude opportunities to make profits, but developers will be expected to provide larger units and sell them for less. So even though building costs are low at the moment, developers' margins will be squeezed. While the market remains weak, developers have to increase building density to maintain profit. It is a happy coincidence that the Department of the Environment has indicated in recent Planning Policy Guidance notes a shift in attitude towards residential development in inner urban areas.

In March 1992, PPG3 (Housing), for example, emphasised the importance of developing urban sites to take pressure off green belts. Local authorities were told that, where city-centre sites showed no realistic prospect of redevelopment with existing permission, they could redesignate the site for housing use.

The draft revision of PPG13 published earlier this year further emphasised the desirability of inner-city living. Stressing the government's wish to "reduce the need to travel", the

paper identified that there was a relationship between low residential densities and increased travel, particularly by car. The DoE has indicated it will encourage higher-density developments at or near public transport facilities.

Until now, many London authorities have adopted lower density standards - as low as 70 habitable rooms per acre (ha). As long as there is no loss of amenity and good use is made of existing public transport, developers can make residential developments profitable. Sites in London around King's Cross and Paddington Basin, for example, could offer this potential.

One part of the market that could be set for revival is residential lettings, which have traditionally proved unpopular with investors, particularly institutions. Now that a proportion of the population

defers the purchase of a home, legislation exists to protect landlords and higher building densities may be permitted, investors should not ignore opportunities in this sector. Even the requirement, often dreaded, to provide affordable housing could be turned to the advantage of developers who enter into partnership schemes.

Sectors must be correctly identified and targeted: the costly mistakes made in Docklands in the last boom illustrate the danger of missing the target. Some of the demand from overseas investors is being met through the change in use of commercial sites and buildings to produce new residential accommodation or by developing outside the traditional residential core. Such sites could provide prime residential property and secondary accommodation to sell and to let. The government, by signalling its desire to house people closer to the workplace, has given many of those holding redundant commercial sites a way out of problems.

In addition, since the recent Budget, when the option of depreciating property assets for tax purposes was removed, there is no longer anything to be gained by holding property.

Moreover, it is now possible to finance residential schemes, whether large schemes for rented accommodation or small, high-value developments to be pre-sold in the Far East. Residential property can also be efficiently managed as a long-term investment.

Many developers and investors have already taken the plunge and acquired buildings and sites, driving up land prices, yet there are still many opportunities for those who can identify and provide what the occupier really wants.

The author is a senior consultant in the research department of Chesterton International.

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مكتبة الامم



Jennifer Saunders, Benedick Blythe and Dawn French in Mary Agnes Donoghue's play

Theatre/Malcolm Rutherford

## Me & Mamie O'Rourke

There were already two first-class American plays showing in London: David Mamet's *Oleanna* at the Duke of York's and Tony Kushner's *Millennium Approaches* at the Royal National Theatre. Out of the blue comes another: *Me & Mamie O'Rourke* at the Strand is the most intriguing and straight-forwardly enjoyable of the lot.

Mary Agnes Donoghue's piece has Hollywood written all over it, which is not surprising since all her previous work has been for the cinema - *Paradise Beach*, for example. On stage, it is not the glamour, multi-scene changing and technological brilliance of Hollywood that stand out, but rather the sheer hard work that goes into short, terse dialogue that can be witty and touching at the same time. *Me & Mamie* has only one set, designed by Uitz, and the classical unities are observed throughout.

Ms Donoghue has achieved something else. She has written a provocative play that will not offend anyone, except perhaps militant feminists. Never underestimate that talent if you want an audience. Ms Donoghue raises questions, mainly about the role of women, without telling you what to think. She never rants, she keeps her sense of humour in adverse circumstances, and there is not the slightest descent into American sentimentality.

Two women dominate the stage, so much so that it is hard to think of another play where a pair of females are in command for so long. Louise (Jennifer Saunders) is the

fairly fed up wife of an unemployed architect who wants to knock down their house in Los Angeles in protest, he says, against middle class respectability. Gradually he does so, though without any greater theatrical ostentation than the dropping of the odd brick and mortar. Louise draws the line at the hacking out of her favourite, imitation Adams, fireplace.

Back in the basement, where all the dialogue takes place, Louise talks to her friend Bibi (Dawn French). Should they, they wonder, have a shot at lesbianism? "We'll have to get a bit drunker first." They try, they fail, but the experience does not end in tears. Where this scene scores theatrically is that it is not over-explicit. Neither of them takes off many clothes, hardly more than a pair of boots. It scores intellectually because they realise they are getting nowhere, but it was still worth trying. Their simple conclusion is: "Why can't a man be more like a woman?"

The environment is highly intelligent. There are educated Californians who believe that learning should go on long after school. No form of therapy is unknown to them. Bibi is taking a doctorate in animal behaviour; she is also, as demonstrated by her actions on stage, shaving carrots and making soup while she talks - an accomplished cook. Louise is working quietly in her basement on designer bullet-proof vests and, being where it is, there is always the possibility of an earthquake underneath. The suitably fast direction of the one-liners is by Robert Allan Ackerman.

Strand Theatre. (071) 930 8800

## Artists drawn to the club

William Packer on the continuing popularity of The London Group

The artists' exhibiting society has been a feature of the British art world ever since the founding of the Royal Academy. The essential unclubbability of the artist was always largely a myth - egocentric yes, but not unclubbable - and how else was he to set his work against that of his peers and before the public?

The Academy set the pattern and, by its very success, made the proliferation of junior rivals inevitable. Up they sprang through the 19th century, the Royal Society of 'This and the Royal Association of That, all soon to be reacted against in their turn.

Some groups, especially the more experimental, proved all too disputatious and ephemeral - Wyndham Lewis's Vorticists before the first world war, for example, and the Seven & Five Society after. But two have proved as resilient as any: the New English Art Club, set up by Whistler, Wilson Steer and their cronies at the turn of the century which openly cocked a snook at the Academy; and The London Group, born out of the break-up of the Camden Town Group in the autumn of 1913.

Eighty years on, the list of some-time members and exhibitors with the London Group is almost a roll-call of British modernism, from Sickert, Lewis and Epstein, through Bomberg and the Nash brothers, Spencer, John, Gertler, Bell and Fry, to Hepworth, Hitchens, Moore and Piper and so on to Heron, Pasmore, Auerbach, Rego, Frink, Davis and Bellamy in more recent times. Even so, it is hard to say

quite why the Group remains important. It has had its moments of near-terminal crisis, and long fallow periods, and yet still its disappearance would be a real loss. Happily, any such outcome now seems remote.

The London Group is run by artists for their own benefit and interest, quite independent of the judgment of important dealers and museum curators and their view of what is saleable and what significant. Conceptual installations may still command international exhibitions and awards, but painting, on this evidence, is still a resilient and healthy plant which no narrow critical correctness will stifle.

Such is the plethora of choice and opportunity facing the young artist these days, with generous prize exhibitions and an enormously expanded acreage of gallery wallspace available, that the kind of opportunity the London Group represents is too easily undervalued and overlooked. Thirty years ago, when I was a student myself, its annual open-submission exhibitions gave young artists pretty well the only chance they had of getting work onto a public wall in the company of their peers. And of them all, it was with the London Group that we most wished to show because of the distinction of its members, the rigour of its selection and the knowledge that one's work really was to be submitted to the judgment of one's peers.

So it still is - and the approbation of one's fellow artists is still the most gratifying. Lately, after wandering for a while, the London Group seems to



A past member of the Group: Graham Sutherland's 'Palm and Landscape', 1948

Hawker and Mark Dunford.

have found a home at the Barbican. The curving Concourse Gallery is not the easiest of spaces but, used well, it is impressive and this 80th celebratory show is as well-chosen and hung as any of its recent occupants. No open show can ever be better than its submission, but the Group evidently still attracts a strong professional entry. The selection is properly catholic, sorting abstraction against figuration of all kinds, and trusting the strength and quality of the particular work to hold its own in the company. It would be invidious to pick out names other than as typical of the whole, but I do recommend Ray Atkins, Gus Cummings, Adrian Bartlett, John Copnall, Trica Gillman, Albert Irvin, Anthony Whishaw, Stan Smith and Ken Oliver among the members and, of the outsiders, Shanti Fanchal, Georgina Hunt, Susan

Both Graham Sutherland and Edward Burra showed with the London Group in their time, and it is by a nice coincidence that both are celebrated in current exhibitions, if only for another week. The Sutherland, at Bernard Jacobson, is a show of real distinction, a choice group of comparatively small paintings of landscape and organic forms. They represent the artist on his surest ground and in his strongest period, most especially the 1940s and '50s, with a handful of his pre-war prints for good measure. The show has been extended beyond its advertised run until Christmas Eve.

The Burra show at Lefevre is more of a curiosity but none the less engaging for that. Given the incidental and picturesque preoccupations of his early work, in particular the louché bar and

café life of the Marseilles waterfront of the early 1930s, it seems no more than obvious that he should have worked for the theatre. The only surprise, on the strength of these remarkably lively and witty sets of costume designs for various productions of the 1930s and '40s, is that he was not working all the time. My own favourites are the figures for *Carmen*, at Covent Garden in 1946, but from *Rio Grande* of 1961 to Don Quixote of 1949, all have their considerable charm and quality.

The London Group's 80th Open Exhibition: Concourse Gallery, Barbican Centre, EC2, until January 7. Graham Sutherland: Bernard Jacobson Gallery, 14a Clifford Street W1, until December 24. Costume Designs by Edward Burra: Lefevre Gallery, 30 Bruton Street W1, until December 21.



Harry Nicoll and Ann Panagoulas as Médor and Angélique

Opera in Paris/Andrew Clark

## Lully's 'Roland'

dear to a series of anonymous pictorial drop-cloths, overhung by wave upon wave of puffy cloud. No attempt was made to recreate the effects of baroque machinery or provide a sense of spectacle. The principals gestured vacuously. The chorus, dressed in wishy-washy apricot robes, adopted static, doll-like poses. The dances were anodyne.

In the pit, *Concerto Köln* played with precision and textural refinement - but this was more than offset by Jacobs' strict tempos and unyielding rhythms, robbing the recitatives of their supple expressiveness. Only in the gentle airs and symphonies of the final act - which must rank among Lully's most noble music - did Jacobs begin to relax.

Other major problems was the under-casting of three major roles. Ann Panagoulas, who made her name as Lulu in San Francisco, lacked the histrionic and vocal

opulence for Angélique. Harry Nicoll, in the *haut-contre* part of Médor, sounded puny and looked effeminate. Claire Brua turned the benevolent fairy Logistille into a doll figure.

Not all was gloom. The words were audible. Thénire, Angélique's confidante, was sung by the statuesque Véronique Gens, whose handsome low soprano deserves wider hearing. Rufus Muller's Tarsandre lived up to the pastoral *divertissement* of the Act four wedding party. And despite an unflattering red wig and costume, José van Dam sang with all the conviction he could muster. Here at last was evidence of Lully's seamless fusion of verse and music: here was evidence of psychological development, as Roland's hope gave way to despair. But Van Dam could not carry the show alone. Perhaps the merits of *Roland* will be more obvious when the promised recording is issued next Spring.

## The Arts Council tries to keep things sweet

England's arts companies discovered yesterday how much subsidy they will receive from the Arts Council in 1994-95 - and for most of them the news was better than anticipated. Despite receiving a cut of £3.2m, or 1.7 per cent, in its grant from the Royal Government, the Council, with its usual sleight of hand, has given most of its clients some again funding next year.

So Covent Garden (which still takes in Birmingham Royal Ballet) is frozen at £19.5m; the ENO at £11.65m; the National Theatre at £11.16m; and the RSC at £5.47m. Since all these companies must have been planning on a small reduction in grant they should be marginally relieved. It is the same across the board. The South Bank Centre gets £13.4m; English National Ballet £3.6m; Manchester Royal Exchange £1.3m; Opera North, £3.8m, and on and on.

There are a few rogue payments. Following through with its declared, and unpopular, aim, of boosting contemporary dance and the visual arts, the Council has given Dance Umbrella a 20 per cent uplift, at £175,000; Rambert gets 35 per cent more at £1.2m; and Shobana Jeyasingh, flush with £100,000 as the Prudential Awards winner, enjoys 34 per cent more from the Council at £170,000. Michael Clark receives his first £100,000.

In the visual arts, the Whitechapel has a 6.8 per cent improvement to £171,000; the Photographers Gallery almost

a 13 per cent uplift at £352,000; and the Serpentine, which is threatened with a totally outrageous increase in its rent from the Royal Parks, is bolstered with almost 9 per cent more, at £245,000.

There is the odd casualty: principally Glyndebourne Touring, and the Regional Arts Boards, which fund thousands of small arts groups, are suffering a reduction in grants of up to 4.5 per cent. But the Council has done its bit to keep the arts going through 1994 when falling box office income, reduced sponsorship, and squeezed local authority funding will make survival difficult.

The Council found the money by cutting £2m from its £14m budget for new projects and schemes, especially in the theatre. This is bad news for touring drama companies, many of which might now close. As secretary general Anthony Everett said yesterday, "the aim is to protect the basic infrastructure of arts organisations throughout the country".

By this clever package the Council has gone a little way towards recovering some of the massive loss of face and confidence it suffered through its mishandling of the funding of the London orchestras. On Wednesday it confirmed that all four would receive virtually identical grants next year - a complete climb down from its aim to axe two and create two super orchestras.

Antony Thorncroft

## INTERNATIONAL ARTS GUIDE

### Boycott threat

No sooner has Gérard Mortier announced his programme for next summer's Salzburg Festival, than the Vienna Philharmonic threatens to boycott the festival after 1995. The conflict reflects Mortier's continuing campaign to sweep away Salzburg's ancient régime and make the festival more contemporary.

Mortier says the Vienna Philharmonic - for long the festival's guarantor of musical standards - is an expensive luxury, because it demands extra rehearsals for works that are not in its normal repertoire. For its part, the orchestra accuses Mortier of making defamatory remarks and leaking their discussions to the press.

Ever since Mortier took over as director in 1991, the Vienna Philharmonic has eyed suspiciously the enlarged role given to other ensembles. The centrepiece of next year's concert programme, for example, is a Beethoven cycle conducted

by Nikolaus Harnoncourt - to be played not by the Vienna Philharmonic but the Chamber Orchestra of Europe.

The Vienna musicians say that if Mortier further reduces their workload or income, they see little point giving up their summer holidays to work at Salzburg. Vienna's mayor, Helmut Zilk, has backed them up with the promise of a special summer festival in the Austrian capital. If the conflict comes to a head, it will prove the biggest test yet of the Salzburg establishment's patience with Mortier, who has not stopped ruffling feathers since his appointment as Karajan's successor was announced.

The 1994 opera programme is headed by a new production of Don Giovanni, conducted by Daniel Barenboim and staged by Patrice Chéreau, with a cast including Ferruccio Furlanetto, Bryn Terfel and Cecilia Bartoli.

There will be three new Stravinsky productions, one of them conducted by Kent Nagano and staged by Peter Sellars. Samuel Ramey will sing the title role in Boris Godunov, and Peter Stein will direct Shakespeare's *Antony and Cleopatra*. The contemporary music programme features a new Helicopter Quartet by Stockhausen, to be played by members of the Arditti Quartet in four airborne helicopters, with the composer co-ordinating the sound in the concert hall.

EXHIBITIONS GUIDE  
AMSTERDAM

Rijksmuseum Dawn of the Golden Age: Northern Netherlandish Art 1580-1620. Ends March 6. Closed Mon

Museum Het Rembrandthuis The Netherlands from Life: a visual walk through the countryside of 17th century Holland, with 90 prints of landscape and rural life by Ruisscher, Rembrandt, Van de Velde and others. Ends March 6. Daily

Van Gogh Museum Georges de Feure and Félix Bracquemond: retrospective of the Dutch Symbolist painter and the late 19th century French printmaker. Ends Feb 13. Daily

Stedelijk Museum Donald Judd: sculptures from Dutch public collections. Ends Jan 23. Daily

BARCELONA Museu Picasso Picasso and the Bulls. Ends Jan 9. Closed Mon

Fundació la Caixa Portraits from the Court of Versailles. Ends Jan 30. Closed Mon

BOSTON Museum of Fine Arts The Age of Rubens: the largest survey of Flemish painting ever held in America, comprising 133 pictures from the Prado, the Hermitage, London's National Gallery and other European institutions. There are 35 pictures by Rubens, eight by Van Dyck and four by Jordaens. Ends Jan 2.

COLOGNE Wallraf-Richartz-Museum Stefan Lochner: paintings and drawings by Cologne's most important 15th century artist. Ends Feb 27. Closed Mon

Josef-Haubrich-Kunsthalle From Meibach to Kabakov: the Ludwig collection of 20th century Russian

avant-garde art. Ends Jan 2. Daily

EDINBURGH National Gallery of Scotland Treasures from the Mesdag Collection: 50 key works by the members of the Hague and Barbizon Schools. Ends Feb 7. Daily

FRANKFURT Städtelandschaft und Interior: 19th century French and German prints. Ends Feb 28. Rosso Fiorentino's Madonna with the Child John. Ends Jan 30. Closed Mon

Jahrhunderthalle Hoechst Giorgio Morandi: paintings, watercolours and drawings by the early 20th century Italian still-life painter. Ends Jan 23. Daily

Schirn Kunsthalle Georg Flegel (1566-1638): 260 works by one of the major still-life painters of the early 17th century. Ends Feb 13. Daily

LAUSANNE Musée d'Art Contemporain Takis (b.1925): retrospective of the self-taught Greek artist, featuring sculptures and installations which produce sounds, light and movement. Ends April 4. Daily

Musée Cantonal des Beaux-Arts Masterworks of the 18th and 19th Centuries: paintings by Renoir, Degas, Cézanne, Bonnard, Vuillard, Vallotton and other works from the museum's collection. Ends Aug 14. Closed Mon

LONDON Victoria and Albert Museum Art of Holy Russia. Ends Jan 8. Daily

Accademia Italiana Renaissance Florence: The Age of Lorenzo the Magnificent. Ends Jan 23. Daily

Tate Gallery Ben Nicholson. Ends Jan 9. Daily

Royal Academy of Arts Great

Master Drawings from the Getty Museum. Ends Jan 23. Daily

British Museum Drawings from Chatsworth. Ends Jan 9. Daily

Courtauld Institute Alejandro Xul Solar (1887-1963): prints and drawings focusing on the visionary representations of new architectures devised by one of the leading avant-garde artists working in Buenos Aires from the mid-1920s. Ends Feb 27. Daily

MADRID Prado Goya: cabinet pictures, sketches and miniatures. Ends Feb 15.

Fundacio la Caixa J.M.W. Turner: drawings and watercolours from the Tate Gallery in London. Ends Jan 20. Closed Mon

Centro de Arte Reina Sofia Bruce Nauman: 60 works drawn from all periods of the American conceptual artist's career, including a selection of early untitled sculptures, a corridor installation and nine neon sculptures. Ends Feb 21. Vienna 1900. Ends Jan 10. Agnes Martin retrospective. Ends Feb 12. Closed Tues

NEW YORK Metropolitan Museum of Art Lucian Freud: 80 paintings, drawings and etchings celebrating the recent achievements of Britain's greatest living realist painter. Ends March 13. Closed Mon

Guggenheim Museum Roy Lichtenstein. Ends Jan 16. Industrial Elegance: objects of everyday mechanical beauty selected by 63 architects and designers. Ends Jan 23. The main museum is closed on Thurs, the SoHo site on Tues

Museum of Modern Art Joan Miro: 400 paintings, drawings, sculptures, ceramics, prints and illustrated

books by the Catalan master. Ends Jan 11. Robert Rymen. Ends Jan 4. Closed Wed

PARIS Musée d'Orsay From Cézanne to Matisse: Masterworks from the Barnes Foundation. Ends Jan 2. Closed Mon, late opening Thurs (reservations: 4410 7300 or at Fnac shops)

Musée d'Art Moderne de la Ville de Paris Around a Masterwork of Matisse: the three monumental versions of the Dance ordered by Dr Barnes for the principal gallery of his foundation in Merion are shown for the first time side by side, together with preparatory sketches and photographs. Ends March 6. Closed Mon (11 ave du President Wilson)

Louvre The newly-opened Richelieu wing offers a dazzling setting for the collections of Islamic art, medieval art (including the Treasure from the Abbey of Saint-Denis), Renaissance and Baroque, and French paintings from the 15th to 17th centuries. Closed Tues

Versailles Versailles and the Royal Tables of Europe from the 17th to 19th centuries. Ends Feb 27. Closed Mon

ROTTERDAM Museum Boymans-van Beuningen Italian Paintings 1300-1500: 28 paintings by early Italian artists from Bologna, Florence, Siena and other towns in northern and central Italy, plus a wide selection of contemporary prints and drawings. Ends Feb 27. René Block Collection: works by Beuys, Polke, Richter and other modern artists, collected since the 1960s by the renowned German exhibition maker. Ends Feb 6. Closed Mon

SAINT-ETIENNE Musée d'art moderne Between Serenity and Disquiet: European art from the 1960s, including works by Balthus, Morandi, Dubuffet, Bram and others. Ends Jan 30. Daily

VENICE Palazzo Grassi The Unknown Modigliani. Ends Jan 4. Daily

Kunsthistorisches Museum Baroque in Naples 1707-34: Neapolitan art from the era of the Austrian Viceroys. Ends Feb 20. Closed Mon

Albertina French Drawings from Clouet to Brun: 150 works from the Albertina's collection of 16th and 17th century French drawings. Ends Jan 23. Daily

Jüdisches Museum Jewish Vienna: a cultural history of Jews in the city. Ends May 15. Closed Sat

Kunsthaus Joan Miro: 120 sculptures. Ends Jan 24. Daily

National Gallery of Art The Age of the Baroque in Portugal. Ends Feb 6. Nine Old Master Drawings: works by Dürer, Van Dyck, Rembrandt, Goya and Tiepolo, recently donated to the museum. Ends Jan 30. Cesarini Venus: Giambologna's marble masterpiece (c.1583) is the centrepiece of an exhibition focusing on the female nude. Ends Jan 17. Daily

National Museum of Women in the Arts Judith Leyster: ten works by the 17th century Dutch genre artist. Ends April 3. Daily

Hirschhorn Museum Willem de Kooning. Ends Jan 9. Daily

Walters Art Gallery Artists of Ecouen. Ends Feb 6. Closed Mon

## Nightmare on Marsham St

Michael Cassell on a welcome change of address for the UK environment department

The customers in Sabrina's sandwich bar, just across the road, were unanimous: "It's the pits," volunteered motorcycle messenger Mr Jason Webb. "It's a dump," claimed legal clerk Mr Stanley Singer. Mr Webb and Mr Singer are in good company. According to Mr John Gummer, environment secretary: "It is staggeringly and revoltingly offensive. It is ugly, unsympathetic, unhygienic and unsafe."

Mr Ian Clegg, spokesman for the four trade unions that work in it, has no argument with Mr Gummer: "It's the most depressing place I've ever worked in. Good riddance."

The target of their scorn is 2 Marsham Street, Westminster, the crumbling, concrete monolith which, since completion in 1971, has led an ironic double life as headquarters for the Department of the Environment and one of London's best-known, least-loved eyesores.

Now, after the long-awaited announcement of plans to relocate the 3,000 people who walk its dark, identical corridors, the end is in sight for the 650,000 sq ft office complex known locally as "faulx towers".

Faced with estimated refurbishment costs of at least \$50m, ministers have decided that it will be reduced to rubble in 1998. Left behind will be a five-acre site worth about £25m, and questions over why it was allowed to be built in the first place.

The weather-stained building, which also houses the Department of Transport, has lacked friends almost since the day it was designed in the 1960s by Mr Eric Bedford, chief architect to the old Ministry of Public Building and Works.

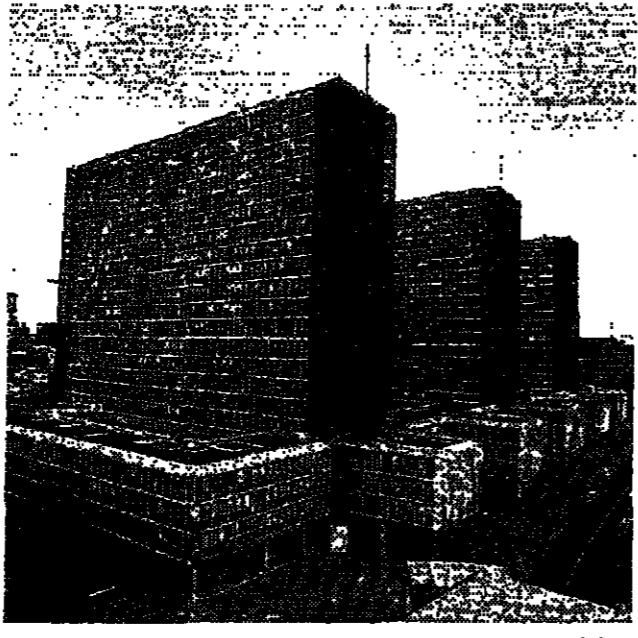
The ministry was to become part of the DoE, created at the start of Sir Edward Heath's premiership in 1970.

Its three, 200-ft tower blocks breach a historic skyline noted for architectural landmarks such as Westminster Abbey and the Palace of Westminster.

The lifts that serve them are unreliable and slow, and stop short of the top floor.

Last month, as he went to tell staff the details of the proposed relocation, Mr Gummer was trapped in a lift for 20 minutes: "It's number was 666 - the mark of the devil," he recollects with a wry smile.

Mr Gummer, like successive environment secretaries before him, has welcomed visitors to his 18th-floor suite, explaining that their viewpoint is the only one in central London not rudely interrupted by 2 Marsham Street. Independent Tele-



The DoE's three 200ft tower blocks: worth far more as rubble

vision News omitted the wind-swept tower blocks from the classic, computer-generated views of central London that introduce its bulletins.

The building's visual shortcomings are matched by its deteriorating physical state. Outside, green netting hangs from scaffolding to catch the shards of concrete that occasionally break free from precast wall panels to expose rusting reinforcing steel; windows remain partially open because they no longer shut.

Civil servants on the south side of the complex can enjoy dramatic summer sunsets over Battersea while they fry in office temperatures of 30°C; in the winter, it can take the struggling boilers 48 hours to warm up the building.

The DoE's next home will be in nearby Victoria, after a combination of cost considerations and threatened insurrection among staff ended the dream of former environment secretary Mr Michael Heseltine to move it east to Docklands.

The new headquarters, incorporating the ultimate in "green" credentials, will

attempt to make amends for a building that has lasted barely 25 years and which, with hindsight, should never have left the drawing board.

But Marsham Street was not out of place in its time, merely another utilitarian statement of the modern movement in architecture, which has left behind it equally unpopular and discredited buildings elsewhere in London and other provincial cities.

Mr Bedford employed state-of-the-art industrialised methods to fulfil his brief of housing, as quickly as possible and at minimum cost, the maximum number of people under one ministerial roof.

He had problems from the start. Massive reinforced concrete structures already filled much of the former gas works site and were too big to be broken up; they partly dictated the final, user-unfriendly design of the new building.

The £55m construction contract - carried out by Bernard Sunley, now part of Lorrho, and M J Gleeson, still a family-run, quoted construction company - employed a pioneering

building system designed specifically for the large-scale construction project. The simple, repetitive lay-out permitted mass-production of many construction components on site. But aesthetics, along with the need to create a practical, working environment which fitted comfortably into its surroundings, were given short shrift. "The building is so remarkably hard to use," says one senior civil servant.

Westminster City Council, which regarded any building as an improvement on a derelict gas works site, nodded through the plans, and building work began in 1966. But completion was delayed by two years because of a wave of prolonged strikes which hit the construction industry.

Mr Gummer, who says he would like to "push the plunger" on demolition day, believes Marsham Street is a symbol of 1960s arrogance. "It was in many ways an unpleasant period, which did not believe it had anything to learn from previous generations. It was trash and insensitive and this building stuck up two or three floors - fingers to everyone."

According to Mr Clegg, in Marsham Street's first-floor union office: "People have had to endure deteriorating working conditions which are simply not accepted in the private sector. The building rules in that staff have not been the highest priority. It is dehumanising."

This time, ministers and civil servants are hopeful of something better. The new Eland House offices to be built in Bressenden Place, close to Victoria station, will incorporate a catalogue of fashionable architectural and environmental specifications, from the "thermal buffers" of its double atria to cone-friendly refrigerators and plentiful cycle bays.

Already, however, the unions are hesitant about proposals for large, open-plan floors, which mean reliance on artificial lighting and air conditioning, which some believe can contribute to workplace illnesses. This time round, they want - though do not expect - to be consulted about more than curtains and carpets.

The DoE says it has negotiated a 25-year lease on Eland House from Land Securities, Britain's biggest private commercial landlord. Whether or not today's architectural fashions prove more enduring, there is at least an expectation that the building will outlive the DoE's new lease.

## More like a prime minister



Heaven alone knows what the Downing Street declaration will do for Ireland, north and south. Will it bring peace? A lasting settlement? We have to wait for prolonged silence, or a bomb blast, to give us the beginnings of an answer. Yesterday's statement by the president of Sinn Féin, Mr Gerry Adams, was redolent of peaceful promise, but takes us no further. Meanwhile it is open season for wishful thinkers. Optimists can let their fancy flow free, down to the speeches by the British and Irish prime ministers when, following Mandela's Klerk, they collect their Nobels. Sceptics, or those who harbour post-Ulster theories, can predict doom and disaster. Armchair strategists can set up their imaginary battlefields and pit "loyalist" terrorists against their IRA opponents.

Patience, patience. There is no telling what will happen, and therefore no way of estimating the eventual effect on the standing before their present elections and in the eye of history, of Mr Albert Reynolds and Mr John Major. All that can be said today is that the taoiseach and the prime minister have shown courage and imagination. Against the odds, they have co-authored a document that allows for a united Ireland while obliging those who seek one to persuade a majority of the people of Ulster to vote for it. This was accomplished by rewriting, in the language of the nationalists, Britain's long-standing promise that it will protect the unionists.

Both leaders have done well. This should be acknowledged without quibble or qualification. Mr Major in particular sounded more like a prime minister when he spoke in the Commons on Wednesday than he has since Britain was ejected from the exchange rate mechanism in September 1992 and he lost his authority. This time he had the best house since the Gulf war, with members listening intently to his every word, breaking concentration only to approve. His manner had become less hesitant, his voice less uncertain. This was, for once, a politician at ease with himself.

Take, as a single example, his response to Rev Ian Paisley, who had spoken of people being "slaughtered, butchered and murdered" by the IRA. His constituents, said Mr Paisley, looked on the Downing Street declaration as a "sell-out" act of treachery.

With rare passion, Mr Major turned on the Democratic Unionist and replied that he wished to make sure that there was no more bloodshed. Politicians had to have the courage to address the problem. "I am prepared to do that. If the honourable gentleman believes that I should not, he does not understand the responsibilities of the prime minister of the United Kingdom."

We have, in short, seen the prime minister rise to an important occasion. In handling Northern Ireland, his most effective qualities have come to the fore. Major the negotiator, he of Maestricht, saw to the detailed haggling. Major the whip, he who has survived in spite of a dwindling parliamentary majority, has ensured that most susceptibilities were catered for in the drafting. Major the chancellor, he of the hard Ecu and the safe havens, proved willing to

throw the dice in Ireland. Let us set aside cynicism, and grant that these characteristics have been enhanced on this occasion by a proper sense of the responsibilities of his office.

The prime minister will be strengthened if a weakly cynical electorate is equally charitable. His weakness arises from the disrespect in which he is held by natural Conservative voters. On Wednesday morning, before the declaration on Ulster was published, Mr Major was the least popular prime minister since polling began. Rebuilding a reputation in such circumstances takes time. It cannot be achieved by a single outstanding performance on a powerful Wednesday afternoon. More is required.

Events in general have to be in his favour. The prime minister may be given his due on Ulster, while yet suffering the fate of his predecessor. To take a more excited example, remember what happened to Winston Churchill after he led Britain to victory in the second world war.

That said, the favourable news is beginning to pile up. The Uruguay Round of the Gatt negotiations has been completed, setting the markets further towards the stratosphere. The prime minister has been invited to visit the Vatican in general and Britain in particular would gain more from trade liberalisation than most of the other participants. Downing Street's role in helping the process forward was subtly suggested. Mr Major knows that the performance of the economy is paramount. On Wednesday the latest monthly

indicator showed the annual rate of inflation still at 1.4 per cent. Yesterday we saw a further fall in unemployment.

The Conservatives in Parliament have continued to hold steady on other matters, as they have done since the prime minister concluded his devil's pact with the right at the party conference in October. A carefully crafted Queen's speech, avoiding difficult legislation, and a strategy of limiting the length of time Parliament sits, have helped reduce the number of "Tories split" headlines.

These developments could have been designed to create a feeling that perhaps the government is not doing so badly after all. Mr Major's job was in some immediate danger during the summer. That crisis has passed. The sense that nobody is in charge of the administration has to some extent been countered by the wizardry of Mr Kenneth Clarke. The chancellor's recent Budget may have added to the March Budget's imposition of the greatest tax increase anybody could remember, but it demonstrated control, "grip", command. Mr Clarke's opinion after Budget day was that its positive political effect would not be reflected in public sentiment for a year or so. That may still be true.

We have now had three years of Mr Major as prime minister. He has been flat on his face much of the time, but he did win in April 1992, against many predictions. The next opportunities to vote will come at local council elections in May and elections to the European parliament in June. The conventional wisdom in October was that he had about a year in which to restore his and his party's popularity, or face a challenge to his leadership. He has made a good start to that year of trial. A triumph in Ireland would, if it came, take his rehabilitation further.

Joe Rogaly

Events could have been designed to create a feeling that the government is not doing so badly. Mr Major's crisis has passed

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand-written. Please set fax for finest resolution

### Crest not more costly for private investor

From Mr I D Saville

Sir, Mr J D Whittle thinks (Letters, December 11/12) that it is generally accepted that the Crest share settlement system will disadvantage the private investor while increasing his costs of dealing. I do not think either point of this view is well-founded.

Crest will improve conditions for the private investor, by helping to facilitate a more efficient and liquid wholesale

market, and by bringing settlement conditions in the UK into line with the best international practice.

Costs will be sharply reduced by getting rid of much of the very large volumes of paper that have to be processed in the City and at registrars, and there will be significant reductions in risk in the settlement process.

These benefits improve the attractiveness of London as a

financial centre, and the private investor will benefit from this because his shares will be traded on a more liquid and efficiently priced market.

Moreover, I believe that when Crest is introduced the cost of dealings for the private investor need be no more than today, even where the private investor chooses to retain share certificates. (The cost will, of course, be lower if he chooses to participate fully in

Crest by giving up his certificate.) This is because the "wholesale" part of the transaction, between the investor's broker and a market maker, should be cheaper than today, while the paper-based part should remain very much like today's arrangements. I D Saville, project controller, Bank of England, Threadneedle Street, London EC2R 8AH

### A moving conversion

From Viscount Lewisham

Sir, I was more than moved by Michael Grade's piece (Personal View, December 14) advocating more competition in commercial television when, as head of Channel 4, he is confronted with the proposed mergers in Channel 3.

Mr Grade is, of course, a hereditary placeman of the British television establishment, which has fought tooth and nail against enhanced competition and choice for the last 25 years.

Does Michael Grade's belated and self-serving conversion now mean that he will unequivocally support and press for the Independent Television Commission to advertise Channel 5, which would be a competitor to Channel 4?

Lewisham, The Manor House, Stalham, Norfolk, NR20 3AU

### Defective cure for unemployment

From Mr Don Pimman

Sir, Professor Richard Layard's diagnosis (Personal View: "An offer the unemployed cannot refuse", December 7) is that unemployment is likely to be high if benefits are available indefinitely and his cure is to draft the unemployed into the workforce at no cost to the employer.

His diagnosis depends on statistics which show long-term unemployment in the US and Japan at 1 per cent or less compared with 5 per cent in the European Union and his assertion that this is due to the cessation of benefits in the US and Japan after six months.

His diagnosis is defective because:

1. In the US men have to describe themselves as not looking for work in order to get benefits after six months (Economic Eye, by Edward Balls, December 6). Therefore, they are hardly likely to disqualify themselves by claiming to be looking for work.

2. In Japan the social security fund is available indefinitely (and is generous compared to Britain's system). The reasons for long-term unemployment in Japan are that there is work for anyone who is willing and able to do it, and the Japanese have a great reluctance to accept state help, and will therefore hurry back to work as quickly as possible.

3. He takes no account of the

level of benefit available (which in Britain is so low as to drive most recipients to despair).

However, not only is his diagnosis wrong, his cure would dump the employed on to the dole queue to make way for the slave labour introduced by the cure itself, and at the same time subsidise the employer while promoting inefficiency.

The real problem is competitiveness and the cure lies with those in work, not with those out of it.

Don Pimman, 2 Moor View Road, Oakdale, Dorset BH15 2LS

### Bonuses: perhaps it was only half the story?

From Ms Julia Gallop

Sir, I was most interested to read the article, "What to buy her with the bonus" (How to Spend It, December 11/12). I take it, from the tone of the

article, that either: a) Women do not earn bonuses of any great value; b) Women are less likely to need a point by point guide as to how to spend them; or

c) The concluding part to the article will appear next week. Julia Gallop, 9 Cromford Road, London SW18

### Deflator paints wrong picture of export volumes

From Mr Andrew Glyn

Sir, Samuel Brittan ("Two-way switch in the world economy", December 9) reports with approval Peter Sinclair's figures purporting to show that there was a radical slowdown in the growth of the volume of trade for the G7 countries in the 1980s.

The table (right) shows why deflating the value of G7 exports by the gross domestic product deflator (in contrast to the normal procedure where the price index of exports is used) suggests that most of the slowdown in the growth of world trade happened after 1979, not after 1973 as we had hitherto assumed.

Export prices rose faster than GDP prices over the period 1973-79 because energy and commodities, whose prices rose especially rapidly, comprise a much higher proportion of exports (as intermediate inputs and final sales) than of G7 GDP (which excludes any

Average annual % growth rates	1960-73	1973-79	1979-90
(1) Export volume (conventional)	7.8	5.8	5.0
(2) Export prices	3.1	9.5	3.1
(3) GDP prices	4.3	8.6	4.8
(4) Export volume (Sinclair) = (1)-(2)-(3)	6.6	6.5	3.3

Source: OECD, Historical statistics 1980-90

imported energy and materials component). This exceptional development obviously boosted the value of world trade. But why should we regard this as boosting its volume?

Sinclair says his measure shows the "real value of export receipts, defined in terms of the general basket of goods that its firms, households and public authorities buy" (Oxford Review of Economic Policy, Autumn 1993, p.116). This is inaccurate since the GDP deflator excludes the value of imports which comprise a proportion of the purchases of all domestic sectors. But in any case this is a measure of the real incomes of the export sector. This may be interesting but it is not a measure of real

output. If Samuel Brittan's or Dr Sinclair's new computer is half the price (in relation to the GDP deflator) of their old one, would they describe it as only half a computer?

Andrew Glyn, fellow and tutor in economics, Corpus Christi College, Oxford, OX1 4JF

From Mr N H Dimsdale

Sir, In his Economic Viewpoint (December 9), Samuel Brittan comments favourably on a recently published article by Peter Sinclair in the Oxford Review of Economic Policy, where export values have been deflated by a general price index, the gross domestic product deflator, to calculate a measure of export volume.

There is little justification for the use of this deflator when an index of export prices is available. Its use could give rise to a significant distortion compared with the appropriate deflator. The fact that the inappropriate deflator makes a big difference must make one suspicious of the final result.

If a measure of the purchasing power of exports is required, as Sinclair proposes in his article, it could readily be derived by adjusting the correctly computed export volume index by a measure of the terms of trade such as the ratio of export to import prices. The resulting indicator would set involve any breach of the conventions of index numbers, unlike the crude practice reported in the article.

N H Dimsdale, fellow and professor in economics, The Queen's College, Oxford OX1 4AW

We're pleased to announce our prophets for next year

A prophecy can only ever be as reliable as the prophet who makes it. For 'The World in 1994' we have brought together over 50 of the most reliable analysts in the fields of economics, sociology, industry, technology and politics. Read what they all have to say. It could help make 1994 a happy new year.



# FINANCIAL TIMES

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Friday December 17 1993

## The west and Zhirinovsky

If any good comes out of the elections, it will be the ultra-nationalist Russian right in last weekend's elections. It will be because it finally focuses the minds of Russia's reformers and their western backers. For, while the reform parties squabbled, while President Boris Yeltsin remained aloof and the western governments kept their distance, Vladimir Zhirinovsky was hard at work. He cleverly played on the electorate's fears about the threat of unemployment, rising lawlessness and loss of self-esteem.

What should the west and its institutions do next? It was not enough for International Monetary Fund officials to monitor progress and lend money when a supposedly pro-reformist government was in place. But now, with the completion of the post-election government still unknown and the president's commitment to future reform uncertain, the dangerous temptation is to wait and see. What they should do is act.

First, they can recognise that the rules of the reform game have changed. The grave threat of a further boost to extremist politics if reform is perceived to make things worse over the next year means that a substantial rise in open unemployment is now politically intolerable. The standard IMF strategy of stabilisation, withdrawal of subsidies to state industries and the establishment of a social safety net to catch the casualties is now too risky for anyone other than the most apolitical reformer to contemplate. Indeed, anything which even smells of an IMF-run austerity programme is almost certainly off Mr Yeltsin's agenda.

### Pointed criticism

US vice-president Al Gore has already got this message. In Moscow, yesterday, his pointed criticism of the failure of IMF officials to be sensitive to the effects of harsh budget cuts on individual Russians suggested a sharp change in western rhetoric. But, as US Treasury officials will well understand, it is important that the west does not throw out the baby with the bathwater. The IMF may be a convenient scapegoat for lack of progress so far. But to suggest, as Mr Gore also did, that Russia should abandon rapid

reform is badly misguided.

Too little reform, not too much, is the reason for the persistently miserable performance of the Russian economy over the past year. Rapid inflation remains a significant obstacle to private sector expansion and foreign investment as well as a tax on Russian citizens. Lack of progress on land and financial sector reform are other impediments. The IMF can be criticised for taking an over-bureaucratic approach to conditionality and for failing to provide the Russians with sufficient technical support. But it is the Russian government that must take most of the blame for the lack of progress.

### Fascist advance

Western leaders cannot afford, for their own security as well as Russia's, to allow Mr Yeltsin to abandon the reformist road. Without action to slow credit creation, hyperinflation is inevitable. Without structural reform, the growth of new private employment will remain stunted. Without a legal system, the power of illegal racketeers will grow. In short, without rapid reform the conditions for a further fascist advance will emerge.

The west can help stabilisation to occur and reform to progress without the kind of open unemployment seen in Poland since 1989. It can do so by enabling the government to replace inflationary bank credits to loss-making industries with non-inflationary western credits. These should be released through a new G7 agency, rather than via the IMF.

These credits should be made conditional on market-oriented reform as well as continued stabilisation and, as far as possible, linked to restructuring of specific enterprises. If China's success contains a lesson for Russia, it is not - as Mr Gore appears to believe - that gradualism works but, instead, that radical reform to encourage the growth of the non-state sector is consistent with apparently wasteful but politically essential subsidies for inefficient state industries.

The west has not yet had time to gauge fully the implications of Mr Zhirinovsky's success. But the G7 has no alternative but to act while it can.

## Hong Kong: the next stage

Mr Chris Patten, Hong Kong's governor, will view the end of Sino-British talks on his democratic reform proposals as a decisive setback in his efforts to secure China's acquiescence to broader democracy before Beijing assumes sovereignty in 1997. But he is now embarked on the course which, as a report elsewhere in this newspaper suggests, he might have preferred all along: to allow Hong Kong people to take a hand in deciding how far they want to go in broadening the electoral franchise. The problem is that neither he nor they know whether China will accept their choice, even if it is for limited change.

Mr Patten's efforts to date have served to heighten uncertainty about the transition to Chinese rule. It is not only the political talks that have foundered. Sino-British discussions on many practical issues of the handover, as well as on the financing for the new airport, are also just about at a standstill. Instead of the closer co-operation which the 1984 Joint Declaration called for during the latter part of the transition period, there appears to be a widening cultural divide.

### Open discussion

This is not to suggest that Mr Patten was wrong to try to broaden the democratic franchise within the limits imposed by the post-1987 Basic Law - and to seek to do this with China's agreement. One effect has been to force open discussion, both in Hong Kong and China, about the true implications of a "one country, two systems" approach. It is far better that the wrangling takes place now than to have sudden, bruising revelations after 1997. If Hong Kong really is to be allowed to maintain its way of life as the Joint Declaration promised, its "high degree of autonomy" must mean something. Mr Patten has rightly explored its limits.

Now, however, the game has moved on, and Mr Patten is no longer at the centre of events. The Legislative Council will almost certainly prove less willing to confront China than he has been. Past success even of the "non-controversial" package tabled this week may be in doubt, with the conservative party which favours

co-operation with China opting to poll its membership. If this bill were to run into problems, Mr Patten would have little chance of getting the meatier parts of his reforms into law. His Westminster skills will be pitted against the exertion of mighty Chinese influence. In itself, this may not be unduly damaging. Indeed, it is the sort of political debate to which a nascent democracy must become accustomed, even in such constrained circumstances.

### Electoral uncertainty

Less desirable is the uncertainty about the eventual fate of the electoral system which LegCo puts in place. Even if it substantially waters down Mr Patten's reforms, its decision may still be rejected by China and a new political system instituted. However, this will not necessarily be the end for democracy. Hong Kong-style, China has this week reiterated its commitment to enacting the Basic Law, which sets out specific steps towards democracy and says "the ultimate aim is the election of all the members of the Legislative Council by universal suffrage". Unless events prove otherwise, these Chinese commitments can be taken at face value.

Many Hong Kong people - investors in particular - are doing just that. The stock and property markets have shown great resilience in the face of the Sino-British confrontation. The economy behaves more and more as though it were already part of China.

What cannot yet be guaranteed is that it will continue to enjoy such uninterrupted growth through the handover. It will only do so if the nuts and bolts - the legal and judicial framework, arrangements for the civil service, and the other features that buttress Hong Kong's economic success - are in place before 1997. With China and Britain now apparently destined for permanent disagreement on political issues, it is ever more important for both sides to focus on these practical arrangements. If only for this reason, they will have to talk. And although the British approach has suffered a reverse, the UK cannot wash its hands of Hong Kong. If serious uncertainties about the future are aroused, it will have to reconsider the issue of passports.

No one talks or knows about this institution. So said Mrs Paule Dufour to explain why the Council of Europe's Social Development Fund strayed from its original purpose - financing projects to help resettle or absorb refugees in Europe - towards generating profits from money markets and giving generous rewards to staff.

Sitting in her elegant 18th-century Parisian office, a few hundred yards from L'Etoile, she said that even when she became president of the fund's governing body in 1990 she had difficulty obtaining information on its work.

Partly as a result, she commissioned Castel Jacques Ernst & Young, the accountancy firm, to carry out a wide-ranging audit of its activities. Its report, which has not been published but has been obtained by the Financial Times, is a lesson in how multinational development banks should not be managed.

Set up in 1958, the social fund, with assets totalling £10.5bn at the end of 1992, became a rich gravy train for staff and provided a pleasant sinecure for the former politicians and officials who comprised its twin supervisory boards, the governing body and the administrative council.

According to Ernst & Young, the bulk of its loans - which totalled £68.7bn (£5.1bn) at the end of 1992 - were made without properly monitoring where the money was going. There was often no way of telling how borrowers used the relatively cheap loans. The problem was particularly acute in Italy.

Because it did not know where money was going, there was also a risk that it could face unforeseen losses on loans - though Mr Roger Vanden Branden, who resigned as governor last month, pointed out that to date the repayment record of borrowers had been good.

But it was in its staff remuneration practices that Ernst & Young says behaviour was encouraged that ran "contrary to the ethics which should govern the professional life of an international official". Executives were given big expense allowances without proper checking to ensure expenses were actually incurred. They were also granted subsidised loans totalling FF16.9m (£1.94m) at a 3 per cent interest rate, but there were no effective controls to ensure loans were being used as intended for mortgages on principal residences. The report says some of these loans were used for property speculation.

Probably the most unorthodox practice was the withdrawal of substantial sums from the pension fund by executives who had completed 10 years of service with the social fund though remained in office. The main beneficiary was the governor, Mr Vanden Branden.

But if what the fund did was dubious, Mr Vanden Branden cannot take all the blame. As he said in a statement to the FT, Ernst & Young does not say that he broke institutional or pension fund rules. However Ernst & Young lists examples of rules which were imprudently drafted and liberally interpreted. Mr Vanden Branden also said in his statement: "My personal accounts were... approved by the administrative council, which each year commended the governor [Mr Vanden Branden] for his management."

In the words of Mrs Catherine Lalumière, the secretary general of the Council of Europe (a parallel organisation to the European Union) under whose umbrella the fund falls, it was a "child abandoned by its parents". What she means is that it was given too much autonomy by its shareholders - 21 Council of Europe members, including France, Germany and Italy but not the UK.

Pekish out of embarrassment at their negligent stewardship, the shareholders did not want public disclosure of the Ernst & Young report although they have been quietly trying to reform the institution via representatives on the supervisory boards. But earlier this autumn, rumours about the report's

# Last orders at a movable feast

Robert Peston examines a report that criticises a European development bank



content circulated at the Council of Europe's Parliamentary Assembly in Strasbourg and eventually details appeared in the French newspaper Le Monde.

Soon after came the resignation of Mr Vanden Branden, a Belgian who has been associated with the fund since 1962 and has been governor since 1979. Mrs Dufour said she believed he should have left earlier: "The first lesson to learn from what happened at the fund is that, in an international organisation where controls on management are never as strong as in a national organisation, it is wrong to allow executives to keep their jobs too long."

Another lesson is that the responsibilities of the two supervisory boards, consisting of government appointees, were imprudently drafted when the fund was set up. The two boards met no more than a few times a year and in practice delegated considerable power to Mr Vanden Branden and executives.

Any desire among board members to subject the fund to stricter controls may have been tempered by the fringe benefits they enjoyed, which were generous for a public institution. As listed by Ernst & Young, they included liberal expense allowances for meetings, per diem payments for senior board members, cash advances and automatic reimbursement of travel expenses at the highest ticket price.

Until they received the Ernst & Young report, European governments had taken comfort from the fund's profitability, much of it derived from playing the international money markets. The fund raises money from money markets

which it then lends to projects that meet its social objectives or invests in securities and complicated financial derivative instruments, such as swaps and options. The question raised by the Ernst & Young report is whether the balance of its activities is tilted too much towards making short-term profits from financial markets.

Though the shareholders have guaranteed to provide capital resources of Ecu1.14bn, they have injected only Ecu20m of cash. From this tiny investment, the fund has generated profits of almost Ecu800m since its creation, including Ecu109m in 1992 alone. This income

### The fund drifted from its original aim and started to commit money to all sorts of socially motivated developments

is in effect distributed to the shareholders in the form of special loans at the highly subsidised interest rate of 1 per cent, well below the fund's normal lending rate.

Yet despite its profitability, Ernst & Young warns the fund was taking "significant" risks in generating money market profits which could "compromise the fund's financial stability in the medium term".

The fund also departed from the established practice among multinational development banks of organising an open competitive tendering process among securities firms when raising money from bond

markets. Two lesser-known German and Swiss banks were regularly awarded the mandate for issuing bonds on the fund's behalf. "The principle of no competition is very bad", said Mrs Dufour, though she adds the fund was able to raise funds at competitive rates.

The worst flaws were in the fund's management of staff and in its lending practices. Though many executives benefited from lax controls over subsidised loans and expenses claims, Mr Vanden Branden appears to have profited most, according to Ernst & Young, though he insisted that his remuneration package and other benefits were worse than for the heads of comparable development banks.

Ernst & Young gives a catalogue of questionable practices:

- In 1991, his undisclosed salary for the whole year was paid in advance at the start of the year.
- His travel expenses of FF111.314 in 1991 and similar amounts in 1990 and 1989 were reimbursed on the basis of an annual travel expense account filled out by himself. In 1991, they included seven weekend trips to Brussels, for some of which no reason was given.
- As overseer of the pension fund, he allowed executives to make withdrawals totalling hundreds of thousands of pounds after completing 10 years of service. He "made his 10-year withdrawal in 1989 and since 1990 has indulged himself with an annual withdrawal (which was FF865,000 in 1991), made at the beginning of the year". The report criticises this policy as a "complicity breach" which "hurts the APF's [the pension fund's] portfolio management, so hurting the

interests of other officers".

● He set up representative offices of the social fund in Brussels and Rome without getting the approval of the administrative council.

In response to these criticisms, Mr Vanden Branden said in his statement that the "equilibrium" of the pension fund had not been "prejudiced" by the withdrawals.

The bulk of the report concentrates on the fund's drift away from its original aim of financing schemes providing work and accommodation for refugees and other displaced persons, or assistance in relocating them. In a "de facto and unplanned way", according to Ernst & Young, it started to commit money to many other socially motivated developments, such as general housing construction projects in Italy, an irrigation scheme in Spain and an electricity project in Turkey. According to Mrs Dufour, the fund even financed the construction of a Sheraton Hotel in Milan.

Ernst & Young says that, whatever the nature of the projects, the fund did not take steps to ensure budgeted costs were reasonable and that the best construction methods were used. More seriously, it did not employ sufficient staff to verify the money was being used for the intended purpose - nor did it receive sufficiently detailed information from applicants to allow effective monitoring to take place. Ernst & Young comments: "We believe this situation is worrying, the sample tested did not show the fund was able, using the information received from the beneficiaries, to verify that the loans granted were indeed used during the period from issuance of the funds to completion of the project for the projects approved."

A shortage of information on use of funds is most marked on loans to Italy and Turkey, the two biggest borrowers, which between them have received more than Ecu4bn from the fund since 1987.

Italian projects benefited from a special exemption such that there was no monitoring of any loans under Ecu3m dating before January 1992. Ernst & Young says that "according to the head of monitoring, the beneficiaries are unidentifiable, the co-operatives involved are dissolved after completion of the project and the managing banks are incapable of providing supporting documents".

Meanwhile large "global loans" have been made to the Turkish government - Ecu597m in 1991 and 1992 alone - based on a list of approved projects but without precise allocation of funds to individual schemes. So in effect these have been additions to Turkey's foreign currency resources - though if Turkey had tried to raise the funds directly on international markets, the cost would have been far greater because its credit rating is worse than the fund's.

Mrs Lalumière of the Council of Europe said that, for all its apparent shortcomings, "more than ever, the fund is useful". Because of the war in the former Yugoslavia and the turmoil in the former Soviet Union, Europe is facing its biggest refugee problem since the creation of the eastern bloc after the second world war.

She hopes that changes in the fund's rules which come into effect in the new year will rejuvenate it. Executives are to be subjected to stricter control by the supervisory boards and an increased emphasis has been placed on the fund's original purpose of helping refugees and displaced persons. Further reform of the monitoring procedures for project loans are likely once a successor to Mr Vanden Branden has been found.

As for Mrs Dufour, her fiercest criticism of the fund is not directed at what it did in the late 1980s and early 1990s but rather at what it did not do. Because of its penchant for making short-term profits, it avoided making loans to parts of Europe where the needs and risks were biggest. Mrs Dufour said: "The greatest scandal is that we did not lend a penny to Yugoslavia."

## England's own goal

So you thought Graham Taylor was to blame for failing to get the England football team into next year's World Cup. Wrong. The reason is much more simple - it's all the fault of the free market.

At least that's the verdict of the left-leaning Institute for Public Policy Research. Perhaps in an effort to improve its credibility among its supporters on the terraces, it has produced a report on the decline of the national game. "Too-high ticket prices, fixture schedules dictated by TV companies, the decline of the small clubs are all the inextricable product of a system that leaves clubs, players and television fighting their own corner, says the think-tank. "Free market policies have ruined our national economy. Now they threaten our national game," argue Dan Corry and Paul Williamson. What the game needs is a "dose of national planning". Sounds familiar.

### Unhealthy worries

Who's going to replace National Health Service boss Sir Duncan Nicol? The question is causing increasing alarm in some quarters of the health service now that KPMG partner Sheila Masters, a

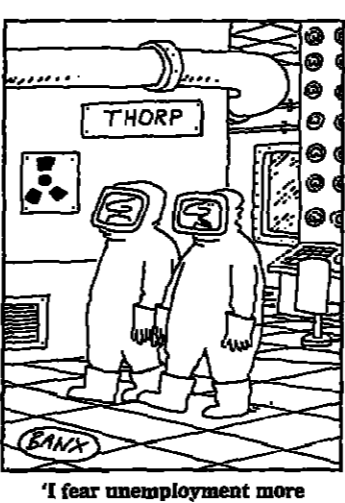
non-executive member of the NHS policy board, has reached the final interview stage yesterday. Insiders are terrified that health secretary Virginia Bottomley will impose Masters on them again. A former NHS finance director, she frightened civil servants by her tough demands when crafting the 1991 NHS reforms.

Alan Langlands, the current deputy chief executive, would be much more preferable to NHS types. He would continue Sir Duncan's capable management style while allowing ministers to hog the limelight. Alternatively, Ken Jarrold, chief executive of Wessex regional health authority, who is credited with having restored its reputation, would be another safe bet.

### Mrs North West

However, one female name which does not terrify civil servants is that of Marianne Neville-Rolfe, head of the Civil Service College and one of Whitehall's movers and shakers. She's been anointed as the first regional director for the north-west, or "Whitehall commissar" as Labour calls them. As director of Whitehall's top management programme, Neville-Rolfe has groomed most of the current generation of Sir Humphreys at the head of the civil service. She has also built good links with leading businessmen as organiser of the "Node" series

## OBSERVER



of conferences which bring together top people from the public and private sectors.

If anyone can make a success of working simultaneously for five ministers, Neville-Rolfe can.

### Home truths

Well done Diane Abbott, MP for Hackney North and Stoke Newington, for saying something that needed saying. "Economics is a happy hunting ground for charlatans. This is partly because it is dominated by men - famously the less practical sex," she informed the Treasury

and Civil Service committee examining the role of the Bank of England. "The aridity of the subject (economics), the opacity of the concepts, and the unintelligibility of the jargon all combine to cow otherwise healthy sceptical observers." What a sensible person.

### Stick it

It's an ill wind... The Scott inquiry into the British government's murky record on arms sales to Iraq promises an unexpected bonus for the manufacturers of Post-it notes, those sticky-backed yellow bits of paper for hurriedly scribbled messages.

The bulk of the damning evidence at the Scott inquiry derives from remarks scrawled by civil servants and ministers in the margins of official documents.

Officials in sensitive posts say they have thus learnt an important lesson. Any controversial recommendations will henceforth be confined to Post-it notes, easily removable before documents are filed for posterity.

### Playing the game

Co-ordinating celebrations at The Waterside Inn following a high-profile Eurobond deal. Salomon Brothers rang to confirm the venue. Imagine the horror when

the three-star Berkshire hotelery not only denied knowledge of the reservation, but explained that the room was already booked... for Goldman Sachs.

Even worse, Salomon then found that the landlord at the Waterside Inn, close by London's red-light district, was completing extensive preparations to welcome Salomon's banker friends. Fortunately, Mosimann's, the swanky Belgrave watering hole frequented by minor royals, swallowed its pride and agreed to accept its first transfer booking from a King's Cross pub.

### Hampered

A colleague phoned Harrods to order a Christmas hamper for a Dublin-based friend. "I know this is a stupid question but is that in southern or Northern Ireland?" the Harrods assistant inquired. "Dublin is the capital of Ireland," came the none-too-sweet reply. A long silence ensued. "No sorry, we couldn't possibly get anything there by Christmas," came the eventual answer.

### Got one, thanks

Publicity for a wedding exhibition next month in Blackheath, south London, promises: "You may book everything you need for your special day from cakes, video, menswear to mother of the bride".





## INTERNATIONAL COMPANIES AND FINANCE

## Citroën chairman gives gloomy 1994 forecast

By John Riddling in Paris

Mr Jacques Calvet, chairman of PSA Peugeot-Citroën, the French car manufacturer, yesterday forecast a slow recovery in the European car market next year and said that demand would continue to be constrained by economic conditions.

At Citroën's annual press conference Mr Calvet predicted that European car sales would grow by just over 3 per cent next year to 11.78m cars, while the French market would grow by 5.7 per cent to 1.85m cars.

The estimate for the French market is lower than the 9 per cent growth forecast that the company made last month. "The last few months seemed worse than expected. We do

not feel that there has been an upward move in orders," said Mr Calvet.

He said a sharp increase in car purchases at the end of last year, as consumers anticipated higher prices resulting from new safety and environmental regulations, had a distorting effect with this year's comparisons.

According to Mr Calvet, the European market will see an uneven pattern of growth next year.

In the UK, he expected car sales to rise by just under 4 per cent. In Italy sales are expected to remain stable, while strong growth of 12 per cent to 800,000 units is forecast for Spain. In Germany, by contrast, Mr Calvet forecast a contraction of 3.1 per cent in the car market.

ket.

Despite the difficult environment, Mr Calvet said Citroën should continue to strengthen its market position in 1994.

"With its recently completed range and in spite of very strong international competition, I think we should build on market share," he said. This year, the company said that it represented between 4.9 per cent and 5 per cent of the European market, up slightly from 4.8 per cent in 1992.

Mr Calvet described the economic climate this year as the worst since the second world war. He criticised "the religion of monetarism" and said the current environment required a looser monetary policy.

## Owners Abroad to axe 260 in shake-up

By Michael Skapinker, Leisure Industries Correspondent

Mr Francis Baron, new chief executive of holiday company Owners Abroad, yesterday announced the redundancy of 260 management and support staff and said he was conducting a review which could result in a change in the group's name.

Mr Baron, who took charge of Owners Abroad last month, said the group had little idea under its previous management of how profitable it was. He added that its branding and marketing strategy had been incoherent. The defence documents it published to fight off a takeover by its rival Airtours earlier this year had "lacked conviction", he said.

Mr Baron, a former television executive, was appointed head of the company to replace Mr Howard Klein, the former chairman and chief executive, who announced his resignation last July.

Mr Klein resigned after the group announced that full-year profits this year were likely to be half market expectations.

Mr Baron said yesterday's redundancies and an accompanying restructuring were the first part of a three-phase plan to restore the group's fortunes.

The restructuring will eliminate four levels of management, Mr Baron said. General managers and finance directors of subsidiary companies are among those leaving.

The second phase of the plan would be an improvement in information systems, which Mr Baron hoped to complete by the end of February.

The third phase is developing a new marketing and branding strategy, which should be ready by the end of March. It will then take another six months to implement.

● Airtours yesterday said it was renaming its Pickfords Travel and Hogg Robinson retail chains. All 550 shops will operate under the name Going Places. Airtours said it intended to complete the rebranding by Christmas.

## Seat chief delivers rescue package

Mr Juan Llorens, chief executive of Seat, has had barely six weeks to get to grips with the beleaguered Spanish subsidiary of the Volkswagen group.

The mounting losses at the Spanish carmaker and the failure to produce a convincing restructuring plan led to the summary departure of his predecessor, Mr Juan Antonio Díaz Alvarez, at the end of September.

Tomorrow Mr Llorens will discover how well he passes muster at the Volkswagen headquarters, when he presents Seat's latest response to its mounting financial crisis to the VW supervisory board.

Mr Llorens, previously the head of the Spanish motor industry confederation, faces the task of wringing out of the supervisory board the further financial backing that Seat desperately needs to ride out the present storm.

"The boat is sailing in a very rough sea," said Mr Llorens yesterday. Important parts of his rescue package, including the negotiation of a 10 per cent pay cut for the entire Seat workforce, are still to be completed, but at least Mr Llorens has won the reluctant backing this week of the Spanish authorities and trade unions for a drastic cut in the Seat workforce that will be unprecedented in its severity.

In the face of losses at Seat that may now mount to around DM2bn (\$1.2bn), including a DM600m restructuring provision, and dramatic overcapacity, Volkswagen was no longer willing to accept any plans

from the company that were prepared on optimistic forecasts for an early recovery in the European new car market.

The restructuring plan that Mr Llorens will present tomorrow is now based on the closure of Seat's oldest assembly

and will replace the Marbella-based Terra van range, which will be abandoned next year.

Under the terms of the restructuring plan agreed with the Catalonia government on Wednesday, Seat is planning to cut 9,000 jobs from a group

only 236,000 this year. Seat is currently forecasting a production level of at least 320,000 for 1994, but Mr Llorens said yesterday that with some additional investment, capacity at Martorell alone could be increased to 500,000 vehicles a year.

After the transfer of all car assembly to Martorell, Seat will still have a workforce of around 2,900 left at the Zona Franca plant that will be engaged largely in the remaining press-shop, foundry and sub-assembly operations.

The big challenge facing the company will be the creation of a "supplier park" at the Zona Franca plant where Seat hopes to attract automotive components suppliers that can establish operations to take on some of Seat's remaining surplus labour.

Under the agreement reached this week the 4,616 Zona Franca workers that are to be laid off for up to two years, could return to Seat at the end of the period.

"We are going to create a taskforce on Monday, which will have three years to relocate all these people," said Mr Llorens yesterday. "It is not going to be easy. Our objective is that the number of people coming back at the end of 1995 will be zero."

To help reach that target and also cut its purchasing costs, Seat aims to increase the share of components it buys in Spain from 54 per cent at present to 67 per cent by 1994, which calls for the re-location of parts purchases totalling Ptas2bn (\$225m).

## Kevin Done examines the challenge facing Juan Llorens when he presents his plans at VW's HQ

plant at Zona Franca in Barcelona.

Seat is being forced to consolidate all its car assembly at its new Martorell plant on the outskirts of Barcelona. The plant already makes the Ibiza hatchback and related Cordoba saloon cars launched during the last 12 months.

Now Seat plans to move production of its larger Toledo family car from Zona Franca to Martorell during the first half of next year. The dramatic concentration of Seat production will mean that the company will be forced to abandon the A-class segment of the European car market.

By late next year it will have been forced to give up production altogether of the Marbella small car, a range which was derived from the Fiat Panda.

Now the product development cupboard is bare for Seat in this segment of the market. It must sink or swim with its present product range, although it will add a new small car-derived van in 1995 at the Martorell plant. This will be derived from the Ibiza

workforce that totalled 23,796 at the end of October.

At the Zona Franca plant, where car assembly will cease during the second half of next year, it is eliminating 2,978 jobs through the early retirement of workers aged 55 and more. It has also won the support of the authorities to lay off a further 4,616 workers at the plant for a maximum of two years for each worker during the three years from 1994 to 1996. In addition it is eliminating up to 1,400 more temporary contract jobs.

The earlier plans for the expansion of Seat have turned out to be hopelessly over-optimistic in the face of the widespread recession in west European new car markets. Seat now has an installed capacity to produce 780,000 cars a year at its two plants, Zona Franca and Martorell, Mr Llorens said yesterday.

In fact output of cars under the Seat brand - excluding production of the VW Polo at the Pamplona plant in northern Spain - is expected to total

## German steel makers link up

By Ariane Genillard in Bonn

Thyssen Stahl and Krupp-Hoesch Stahl, Germany's two largest steel makers, yesterday announced they will merge their production of tin plates, non-corrosive steels and sheets for the electrical industry in a last-ditch attempt to cut costs and reduce losses.

Thyssen said two new companies will be created through the merger. One will oversee the production of tin plates and will be majority owned by Thyssen which is the market leader in Germany for the product.

Thyssen Stahl's Rasselstein subsidiary in Neuwied, near

Koblenz, produces 700,000 tonnes of tin plates a year, about twice the output of the Hoesch Stahl's Westfalenhütte plant in Dortmund.

A second new company will regroup non-corrosive steels and metal sheets and will be largely owned by Krupp-Hoesch which produces more in these divisions than Thyssen.

All three divisions at the moment account for about a tenth of the two companies' turnover and represent combined sales of roughly DM2bn (\$1.2bn). The merger marks the first time that the two steel giants strike a partnership in areas where they have previ-

ously been fierce competitors.

Thyssen and Krupp-Hoesch are the only two producers of tin plates in Germany while their rivals in the other two divisions include German steel makers Preussag and Klöckner Stahl.

The merger provides a graphic illustration of the dire needs of the two loss-making steel giants to find new ways to reduce costs and achieve economies of scale.

Thyssen and Krupp-Hoesch had in the past often met to discuss potential mergers in these activities but talks, previously conducted when the steel business was booming, were unsuccessful.

## Ascom bullish on Bosch venture

Ascom, the Swiss telecommunications group, yesterday said a planned venture with Robert Bosch, the German electronics and auto parts manufacturer, in private mobile radio would lead to improved results in 1995, Reuters reports from Bern.

The company said that negotiations about the venture would be completed during next year and until then Ascom would be responsible for all losses and restructuring

costs at Ascom Radiocom, the fully owned private mobile radio subsidiary.

However, Robert Bosch said it planned to take a majority stake in Switzerland's Ascom Radiocom. It said an agreement had been signed with Ascom on Wednesday.

"With this co-operation Bosch's radio communications technology business should be further strengthened in the European private mobile radio market," Robert Bosch said.

Bosch has an annual turnover of DM290m (\$183m) in its private mobile radio division which employs 1,100. Ascom will set aside provisions for 1994 losses and restructuring this year.

"The results will be significantly relieved in 1995," a spokesman said.

Ascom lost SF79m in the first half of 1993 and has predicted a marked loss for the full year, mainly due to losses at the Radiocom unit.

## SCA finalises £250m UK deal

By Christopher Brown-Humes in Stockholm

SCA, a leading Swedish forestry group, said yesterday it had finalised an agreement with the South African-linked Minoro and Mondi Paper groups to build a £250m (\$370m) paper machine at Aylesford in Kent in the UK.

The machine will be able to produce 280,000 tons of newsprint a year, lifting the plant's total capacity to 390,000 tons a year after an existing machine has been upgraded. The raw material will be recycled paper.

SCA Graphic Paper and

Mondi European Holdings will each hold 50 per cent in a new company, Aylesford Newsprint, which will have a share capital of £130m and total capitalisation of around £300m. Part of the funding will come from a £20m UK government grant.

Both Minoro and Mondi Paper are shareholders in Mondi European Holdings, which was formed in 1990 to invest in the European pulp, paper and packaging sector. Mondi Paper is a subsidiary of Anglo American.

SCA said it expected continued growth in the European

newsprint market and increased demand for paper made from recycled fibre. It says its raw material and distribution costs will be much lower near to a big population centre such as London, which is only 30 miles away from Aylesford, than if it built the same machine in Scandinavia.

The Swedish group recently raised SKr1.4bn (\$168m) in a rights issue to help fund the cost of its UK investment. It has been anxious to proceed with the project since it acquired Reedpack in 1990, but wanted a partner to reduce its risk.

## Swedish health group's loss less than forecast

ARJO, the Swedish healthcare group floated in Stockholm and London in October, has turned in a slightly smaller than forecast pre-tax loss for the year ended September 30.

It lost SKr139.1m (\$16.5m) against an estimated SKr140.5m and a pre-tax profit of SKr15.2m a year earlier. Turnover was SKr1.1bn against SKr983.1m. If the company had been floated for the full year, thus saving on interest and foreign exchange costs, it would have reported a pre-tax profit of SKr178.7m.

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December 1993

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## INTERNATIONAL COMPANIES AND FINANCE

## Cragnotti given trading ban in Canada

By Bernard Simon in Toronto

Mr Sergio Cragnotti, the Italian financier, has agreed to settle allegations of Canadian securities law violations with a C\$2.7m (US\$2m) payment and a lifetime trading ban.

Under the terms of a settlement approved yesterday by the Ontario Securities Commission, Mr Cragnotti and his business associate Mr Robert Marziale have also been banned for life from serving as directors or officers of any public company in Ontario.

The allegations against Mr Cragnotti and Mr Marziale involve Lawson Mardon, the packaging group in which Cragnotti and Partners, the Milan-based investment group controlled by Mr Cragnotti, has a 52 per cent voting stake.

According to a statement of facts, nominee accounts controlled by Mr Cragnotti accounted for 48 per cent of all trades in Lawson shares in the six weeks prior to an equity offering by the company in October 1992.

The statement said that these purchases increased market liquidity and buoyed Lawson's share price.

Mr Cragnotti and Mr Marziale initially claimed they were not involved. But according to the statement, they "subsequently corrected their evidence and co-operated with the commission's staff".

A spokesman for Mr Cragnotti said he had agreed to the settlement to expedite a proposed takeover of Lawson Mardon by Aluisse-Lonza, the Swiss industrial group. Aluisse, in the middle of a due diligence assessment of Lawson, has indicated that the case against Mr Cragnotti will not affect its decision whether to proceed with its C\$650m offer.

An OSC lawyer said yesterday that the penalties confirm "the commission's resolve to ensure compliance with rules designed to protect investors in the capital markets".

Mr Cragnotti was questioned by Italian police last month about his involvement in the Enimont bribes scandal. He has subsequently been released.

## Keeping up with the Dow Jones' screen

A new video service mixes live and recorded information, reports Patrick Harverson

Wall Street was glued to the television set last week, watching live coverage of a Delaware supreme court hearing that may prove crucial to the \$10bn bid battle for control of Paramount Communications.

A few investment bankers, traders and fund managers, however, were able to follow courtroom developments and monitor Paramount's stock simultaneously, thanks to live pictures from Delaware displayed on their desktop computer screens.

These few are subscribers to the Dow Jones Investor Network (DJIN), a new video business news service that allows users of desktop personal computers to watch live and recorded press conferences, interviews, shareholders' meetings, earnings announcements, and court cases.

DJIN was launched just two months ago by Dow Jones, the media and information group. The service is still in its infancy, with only a handful of subscribers paying the \$750 a month rental. But, says DJIN, there is a lot of potential.

The company describes a future where moving and static video, audio, financial news, real-time price data, and sophisticated market analytics are shown on a single computer screen, and in an interactive environment allowing the user to shape the service to his own needs.

It offers about four video

DJIN is not a new concept. A similar service was tried three years ago by Reuters. TV 2000 provided subscribers with moving pictures of interviews, press conferences and analysts' briefings, but was scrapped after only a few months.

If Reuters failed with TV 2000, why does Dow Jones think it can succeed? One answer is the rapid development of interactive and multi-media technology. Mr Mark Wood, editor-in-chief at Reuters, said that one of the main problems with TV 2000 was its delivery. The video pictures were sent to a separate monitor which sat next to the subscribers' Reuters screen, a system he describes as "awkward and intrusive".

DJIN is able to deliver moving video pictures straight to the subscriber's computer over the telephone line.

Another reason TV 2000 failed was the editorial content. Mr Wood says the company was never sure what kind of news was wanted in video form - an uncertainty that confused subscribers and undermined the product.

In contrast, Dow Jones has a clear idea what subscribers want, says Mr Martin Schenker, head of DJIN. The unit compiles a list of the day's programming each morning and faxes it to subscribers, who can call up any item at the press of a button.

It offers about four video



Dealers could watch a conference and the market simultaneously

news events a day, representing some 2 1/2 hours of content, but plans to add new programming every week. If an unplanned news story develops during the day, subscribers can be alerted to its availability by an on-screen newsflash.

Mr Schenker believes the success of DJIN will depend on the quality and exclusivity of its news. He says one of its strengths will be subscribers' ability to watch exclusive interviews with businessmen. The video interviews will give users much more than a text version or audio recording ever could, he says.

"In our business, as long as I find something value-added, I will figure out a way to make it part of my day."

There is still plenty of scepticism around about video business news, and whether it has a sufficiently attractive ingredient that cannot be found in newspapers, on newswires and radio and television financial news networks.

Dow Jones, however, sees DJIN as a lauded product that will eventually give users access to live and stored news, data and analytics in an interactive form that will allow subscribers to tailor the information to their own needs.

Under this system, subscribers would pose their own questions to businessmen during live interviews.

They would be able to watch a company press conference, read the most recent press articles about that company, and look at graphics of the company's share price or earnings performance, all at the same time and on the same screen.

The trail is already starting to warm. Other information providers are considering on-terminal full-motion video news, notably Bloomberg Financial Services and Reuters, which is mulling a relaunch of a TV 2000-style product.

## Canada airlines deadlock

By Robert Gibbons in Montreal

Air Canada and Canadian Airlines have failed to settle their quarrel over airline industry restructuring after nearly three weeks of face-to-face negotiations.

"The parties have very serious business differences that remain unresolved," said Mr Stanley Hart, the lawyer called in by both sides to act as a facilitator.

The deadlock means several key issues will go before the courts, while Canadian Airlines and PWA, its parent company, arrange C\$213m (US\$159m) of interim financing to stay in business until they

receive a C\$245m equity infusion from American Airlines.

The talks focused mainly on the jointly-owned Gemini reservation system. Canadian Airlines must switch to American's Sabre system to qualify for the equity infusion.

Air Canada maintains Canadian Airlines is contracted as a Gemini shareholder until 1997.

Canadian Airlines is making a new offer to settle the Gemini issue, but refused to disclose details until Air Canada has studied it.

It said the deadline for American's equity infusion has been extended to June 30 1994. American would get 26 per

cent control of Canadian Airlines in return.

Canadian Airlines plans to find ways of exiting from Gemini without causing its collapse.

If Air Canada refuses the latest undisclosed offer, Gemini would be dissolved and recreated in another form since it owns Canada's largest private telecommunications system.

Air Canada has offered in excess of C\$1.1bn, including C\$250m cash, for Canadian Airlines' foreign routes. It includes C\$250m in cash and up to C\$800m in relief of debt or lease obligations for three Boeing 747 and five Boeing 767 aircraft.

## IBM will not subscribe to Groupe Bull rights issue

By John Ridding in Paris and Louise Kehoe in San Francisco

International Business Machines of the US will not subscribe to next year's FF8.5bn (\$1.44bn) recapitalisation programme for Groupe Bull, the loss-making, state-owned, French computer group.

The US computer group, which acquired 5.6 per cent of Bull's shares in early 1992, cited "other financial priorities" for its decision. IBM itself is struggling to cut costs to improve its weak financial performance.

But IBM said it remained

committed to its alliance with Groupe Bull and that the two would continue to work on joint projects. IBM said it would continue to collaborate with Groupe Bull on Redwood Instruction Set Computing (RISC) microprocessor technology.

Bull said other existing industrial agreements, such as the manufacture of circuit boards by Bull for its US partner would also continue.

Bull's other main shareholders, the French state, France Telecom, and NEC, the Japanese electronics group, have agreed to provide their share of the refinancing package.

## NOTICE TO THE HOLDERS OF THE WARRANTS TO SUBSCRIBE FOR SHARES OF COMMON STOCK OF DOWA MINING CO., LTD.

(the "Company")  
Issued in conjunction with  
U.S. \$120,000,000 4 1/4 per cent.  
Guaranteed Notes due 1994  
(the "1994 Warrants")  
U.S. \$120,000,000 5 1/4 per cent.  
Guaranteed Notes due 1996  
(the "1996 Warrants")  
U.S. \$120,000,000 1 1/4 per cent.  
Guaranteed Notes due 1996  
(the "1996 Warrants No. 2")  
and  
U.S. \$120,000,000 2 per cent.  
Guaranteed Notes due 1997  
(the "1997 Warrants")

Pursuant to the instruments dated 20th December, 1990, 13th February, 1992, 3rd December, 1992 and 25th March, 1993 (the "Instruments") relating to the above-captioned Warrants, respectively, notice is hereby given with regard to an adjustment to the subscription prices of the 1994 Warrants, the 1996 Warrants, the 1996 Warrants No. 2 and the 1997 Warrants resulting from an issue by the Company of U.S. \$130,000,000 1 1/4 per cent. Guaranteed Notes due 1997 with Warrants at the initial subscription price of ¥431 per share of common stock of the Company (the "Shares") which is less than the current market price of ¥525.70 per share on the date such initial subscription price was fixed. The results of the adjustments are as follows:

(1) The 1994 Warrants	Before adjustment:	¥688.30 per Share.
	After adjustment:	¥658.30 per Share.
(2) The 1996 Warrants	Before adjustment:	¥494.50 per Share.
	After adjustment:	¥464.50 per Share.
(3) The 1996 Warrants No. 2	Before adjustment:	¥527.00 per Share.
	After adjustment:	¥515.90 per Share.
(4) The 1997 Warrants	Before adjustment:	¥667.00 per Share.
	After adjustment:	¥656.10 per Share.

Such adjustment to the subscription prices shall be effective as of 16th December, 1993 (Japan time), pursuant to the respective Instruments.  
THE INDUSTRIAL BANK OF JAPAN TRUST COMPANY  
as Disbursement Agent  
on behalf of:  
DOWA MINING CO., LTD.  
Dated: 17th December, 1993.

## NOTICE TO THE WARRANT HOLDERS OF



**Yuasa Trading Co., Ltd.**  
(Formerly, Yuasa Shoji Co., Ltd.)

U.S.\$100,000,000 4 1/2 per cent.  
Guaranteed Bonds due 1994 with Warrants

Pursuant to Clause 3(b)(iv) of the Instrument dated 13th September, 1990 (the "Instrument") relating to the above-captioned Warrants (the "Warrants"), notice is hereby given as follows:

In accordance with the resolutions of the Board of Directors of Yuasa Trading Co., Ltd. (the "Company") adopted at the meetings held on 30th November and 8th December, 1993, the Company issued Swiss Francs 130,000,000 7/8 Swiss Franc Guaranteed Notes Due 16th December, 1997 with Warrants at the initial subscription price of Yen 492 per share.

As a result of the above issue, the Subscription Price (as defined in the Instrument) of the Warrants has been adjusted pursuant to Clause 3(vii) of the Instrument as set forth below:

Subscription Price before adjustment:	Yen 1,050.3
Subscription Price after adjustment:	Yen 1,016.9
Effective date of adjustment:	17th December, 1993, Japan Time

Yuasa Trading Co., Ltd.  
(Formerly, Yuasa Shoji Co., Ltd.)

By: The Sumitomo Bank, Limited  
London Branch  
As Principal Paying Agent

Dated: 17th December, 1993

NEW ISSUE

This announcement appears as a matter of record only.

December, 1993



## Nankai Electric Railway Co., Ltd.

U.S.\$300,000,000

1 1/8 per cent. Bonds 1997

with

Warrants

to subscribe for shares of common stock of Nankai Electric Railway Co., Ltd.

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S.G. Warburg Securities  
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BSI-Banca della Svizzera Italiana

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IBJ International plc  
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Morgan Stanley International

Nikko Europe Plc  
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Toyo Trust International Limited  
Universal (U.K.) Limited

Westdeutsche Landesbank  
Yasuda Trust Europe Limited

NEW ISSUE

This announcement appears as a matter of record only.

December, 1993



## TASAKI SHINJU CO., LTD.

U.S.\$100,000,000

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with

Warrants

to subscribe for shares of common stock of Tasaki Shinju Co., Ltd.

Payment of principal and interest being unconditionally and irrevocably guaranteed by

## The Sumitomo Bank, Limited

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Nomura International  
Sakura Finance International Limited

Deutsche Bank AG London  
Goldman Sachs International Limited

Morgan Stanley International  
Paribas Capital Markets

UBS Limited  
Wako International (Europe) Limited

Meiko Europe Limited  
Sanwa International plc

Banca del Gottardo  
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able to substantially increase its turnover and profits capabilities once these projects reach fruition."

sharply in the second half of 1993-94 as heavy rains and typhoons this summer caused serious damage throughout

taken by ANL in earlier years, particularly in the coastal business, began to pay dividends in the latest year.

The Saudi Arabian Oil Co (Aramco) won a 40 per cent

and expressed a desire to own and operate TRUS and TRUM. The relationship between Toys R Us and TRU Inc was not specified.

Currently, Japan is the only Asian market offering short-selling, but exchanges in both Malaysia and Singapore are exploring the possibility.

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# Algeria faces dilemma over \$26bn foreign borrowings

## COMPANY NEWS: UK

Dividend increased by 15% 'about average for the sector'

## Yorks Electricity rises to £74m

By Michael Smith

Yorkshire Electricity provided shareholders with an interim dividend increase of 15 per cent after increasing pre-tax profits from £42.5m to £74m.

The dividend rise was less than that of several regional power companies but Yorkshire said that, unlike them, it was not rebalancing the payouts between the two halves.

Mr Malcolm Chatwin, chief executive, said the increase was about average for the sector and consistent with previously stated policies.

The published pre-tax profits showed a 74 per cent rise on turnover of £897.2m (£890.7m).

However, unlike other regional companies Yorkshire has not restated its accounts to reflect changes in coal contracts. Taking this into account, the underlying growth in profits was said to be 22 per cent.

Earnings per share were 27.8p (14.8p), with underlying growth of 32 per cent. The dividend is 6.9p (6p).

In the half year staff was cut by 329. The company said it was on target to deliver a 500 reduction by the end of year, a fall of 10 per cent.

In the core business operating costs fell by 2 per cent during the half.

Units distributed increased by 1.6 per cent, or 0.6 per cent when adjusted for weather. The company said this "provided evidence of an upturn in the region's economy".

Retail is continuing to benefit from efficiencies following the setting up of a joint venture with East Midlands Electricity. But Mr Chatwin said it made a small loss in the half year and was facing difficult trading conditions.

## COMMENT

Once a star of the sector, Yorkshire's sparkle has faded somewhat in the last year. Assuming an annual dividend of 22.2p, the shares are on a prospective yield of about 4.3 per cent, signifying concerns about the company's progress in cutting costs. That may seem strange for a company that cut more than 300 jobs in the half year, above the average. But some analysts believe its cost base remains higher than most regional electricity companies and that it may be penalised by the regulator in the forthcoming distribution review as a result. The contrary view is that Yorkshire will start to benefit soon from innovative restructuring of its core business into more competitive units. In these results the management showed its value by building the Brigg generating



Malcolm Chatwin, right, and John Tysoe, chairman: dividend decision was in line with previously stated policies

coming distribution review as a result. The contrary view is that Yorkshire will start to benefit soon from innovative restructuring of its core business into more competitive units. In these results the management showed its value by building the Brigg generating

plant to programme and at a saving of about £5m to budget. In the end Yorkshire's steady, "managed growth" approach may pay off but investors may wait until after the review before re-assessing their options. The shares are meanwhile worth holding on to.

## Expanding Bowthorpe seeks £64m

By Tim Burt

Bowthorpe, the international electronic and electrical components group, yesterday announced a £64.4m rights issue to fund the expansion of its instruments and sensors business.

The company hoped the 1-for-8 placement, involving the issue of 20.6m new shares at 310p, would enable it to pursue acquisitions and strengthen a balance sheet depleted recently by the £21m (£14m) purchase of Lear Siegler, the US measurement controls company.

The issue would also offset the £17.2m cash purchase of Kaye Instruments, another US instrument manufacturer.

Although borrowings had increased sharply, the company was expecting pre-tax profits to grow 18 per cent to £50.5m (£42.7m) in the 12 months to December 31.

Of that increase, £4.8m would be due to beneficial currency translations compared with £900,000 last time.

A final dividend of 5.03p (4.57p) would raise the total to 6.51p (6.33p).

Mr Colin McCarthy, financial director, said increased demand in the UK and US had persuaded the company to expand in those markets.

"We'd like to find suitable acquisitions in the UK, but there are more opportunities overseas. The rights issue will help us exploit those," he said.

## COMMENT

Bowthorpe, which last made a cash call shortly before the 1987 stock market crash, has a reputation for shrewdly exploiting its buoyant share price to raise capital. So although the issue price of 310p looks attractive against yesterday's close of 373p, analysts suspect the market price might be overvalued. Indeed, a 9p fall on the day suggests some investors felt it was time to take profits. Bowthorpe, however, has not let down investors in the past by making poor acquisitions. Forecast pre-tax profits for next year have been increased to £59.5m, putting the shares on a forward multiple of 20.7 and reflecting market confidence about the group's strategy.

## Amber Day in £15.5m fundraising exercise

By Andrew Bolger

Amber Day Holdings, the discount retailer, last night announced a £15.5m fundraising exercise which will see Warburg Pincus, the US investment institution, raise its stake in the group from 17 to 25 per cent.

The latest management team, supported by Warburg Pincus, will use the proceeds to strengthen the group's highly geared balance sheet and eventually double the size of its existing chain of 58 What Everyone Wants stores.

The controversial group, which has suffered from continuing management upheaval, also plans to change its name

to WSW Group, which it said "marks a clear separation with the past".

Mr Peter Carr, an experienced retailer who became executive chairman in August, is the group's third chairman in the last 15 months. He will receive an option on 3m shares, subject to achieving profit-related targets over a five-year period. No part of the option can be exercised before 1998, under normal circumstances.

Amber Day said it proposed to raise about £15.5m by issuing 25m new shares by way of a placing and open offer and a subscription. Under the subscription, Warburg Pincus will subscribe for 5.8m new shares

(5 per cent) at 50p per share. Under a placing, the company has placed 23m new ordinary shares with Warburg Pincus and certain sizeable shareholders, together representing an aggregate holding of 62.7 per cent of the company's share capital, and other institutions, at 50p per share, subject to an open offer to qualifying shareholders.

Under the terms of the open offer, qualifying shareholders can subscribe for the new ordinary shares at the same price on a 1-for-5 basis.

The fundraising exercise, change of company name and Mr Carr's options scheme are all subject to shareholders' approval.

## H&amp;C shares fall on statement

By Peggy Hollinger

Shares in Harrison's & Crofield, the plantations, chemicals and commodities company, yesterday fell 4 per cent in a buoyant market as the group sought to rein in expectations for 1993 profits.

Mr Bill Turcan, finance director, said a substantial fall in pig and palm oil prices since the interim results meant that many forecasts may have been too high. He stressed that H&C was still on track for a "useful improvement" in the full year.

The shares closed 9p down at 195p after a trading statement which the company insisted was not a profits warning. It was, said Mr Turcan, an attempt to inform the market as a whole, rather than analysts and institutions individually.

This was in line with the best practice guidelines encouraged by the Stock Exchange, he said.

Analysts welcomed the statement and suggested the share price fall might have been unwarranted. Forecasts for pre-tax profits were marked down from about £105m to between £95m and £100m, against £85m last year.

"One hopes other companies will not be put off from making this sort of announcement after what happened to Harrison's & Crofield," said Mr Andrew Mitchell, investment analyst with Smith New Court.

H&C's statement warned that the decline in pig prices would wipe 68p off profits in the food and agriculture division. The group would seek to

alleviate some of the volatility in pig prices through longer term contracts with retailers. However, that would be difficult to achieve while prices were low.

The plantations division had suffered from lower than expected palm oil prices. This meant that profits would be close to the £12.4m achieved in the first half, instead of about £16m expected by the market.

On a brighter note, H&C said its chemicals division was expected to return profits "significantly ahead" of 1992. Timber was also expected to improve substantially.

Debt and gearing were expected to be unchanged from last year's £250m and 51 per cent respectively.

See Lex

## LMS supported by £2m exceptional gains

By Peter Pearce

Profits at London Merchant Securities, the property and investment company, slipped from £10.9m to £10.1m pre-tax in the six months to September 30. The shares eased 2p to 109p.

Under FRS 3 the corresponding figures have been restated to bring extraordinary items above the line: last time profits of £11.3m were declared.

While gross rental income edged ahead to £17.2m (£16.9m), net rental income from investment properties declined to £14.8m (£15m). Lord Rayne, chairman, said that reflected the "full effect of the carrying costs of new developments as yet unlet". Property trading profits grew to £824,000 (£75,000) and operating profits to £13.3m (£12.8m).

Under FRS 3, First Leisure, in which LMS has a 14.6 per

cent stake, is now treated as an investment. Therefore the dividend receivable is shown, rather than a share of the lessor's profits. Within other income down at £4.43m (£5.33m) because of the effect of lower interest rates on cash deposits, income from First Leisure was flat at £596,000.

This time there were exceptional credits of £2.05m (£812,000) from a rise in other investments and the release of a £574,000 provision against investments. Interest payable expanded to £9.5m (£8.8m).

During the period the core businesses were expanded by the acquisition of seven bingo clubs in the Midlands. Lord Rayne said organic growth was continuing.

Earnings per share worked through at 2.31p (2.53p) and the interim dividend is held at 0.8p.

## Plysu suffers sharp decrease to £3.41m

By Peggy Hollinger

Plysu, the plastic milk and juice bottle manufacturer, yesterday announced a sharp drop in interim pre-tax profits, from £5.81m to £3.41m, on sales 4 per cent higher at £44m against £42.5m.

The results had been widely expected following the group's profits warning in October and the shares closed 2p higher at 197p.

The interim dividend is maintained at 2p, while earnings fell from 8.4p to 4.8p.

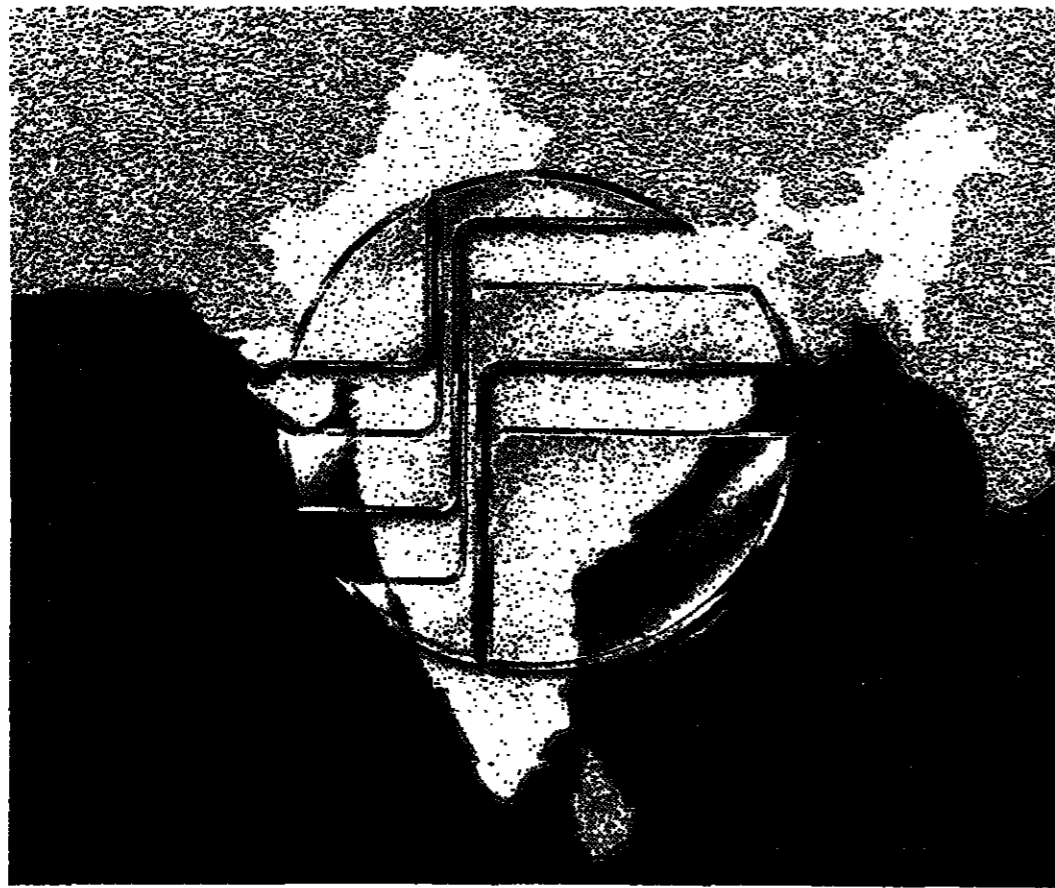
Mr Stephen Nobbs, finance director, said the decline in profits had been due to three main factors: firstly, a significant reduction in milk carton prices as a result of the renegotiation of contracts with customers; secondly, exceptional costs of £1m to increase capacity in the dairy business to

secure the contracts; and finally, deepening recession in continental Europe.

The profits picture was also slightly distorted by the comparison of 26 weeks in 1993, against 28 weeks last time. However, it was estimated that the pre-tax figure was still 33 per cent down on a comparable basis.

Mr Nobbs said that trading in continental Europe had proved to be particularly difficult. Sales had been boosted by the inclusion for the full six months of SEP, the Belgian and Dutch business acquired last year, which contributed £15.9m. Turnover, however, was down by 9 per cent when currency and acquisitions gains were excluded.

Mr Nobbs said Plysu was committed to expanding in Europe, and had some acquisitions in sight.



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New Issue  
Closing  
December 16, 1993

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Federal Republic of Germany

**DM 500,000,000**  
**6.15% Schatzanweisung with Put Option of 1993/2023**  
**Ausgabe 18**

Issue Price: 102.10%

Interest Rate: 6.15% p.a., payable annually in arrears on June 16. The first interest payment for the period from December 16, 1993 up to and including June 15, 1994 will be due on June 16, 1994.

Repayment: June 16, 2023 at 117.51% of the nominal amount.

Put Option Right: The holders of the Bonds are entitled to call the Bonds for early redemption on the interest payment dates of the years 2008 through 2022 at the following rates: 2008 at 100.00%, 2009 at 100.54%, 2010 at 101.20%, 2011 at 101.97%, 2012 at 102.87%, 2013 at 103.91%, 2014 at 104.70%, 2015 at 105.60%, 2016 at 106.60%, 2017 at 107.71%, 2018 at 108.96%, 2019 at 110.34%, 2020 at 111.87%, 2021 at 113.56%, 2022 at 115.44% of the nominal amount.

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## Electra confident as asset value rises 23%

By Philip Coggan,  
Personal Finance Editor

Net assets per share at Electra, the UK's largest venture capital investment trust, rose by 23 per cent to 341.5p over the year to September 30, on a fully diluted basis.

More than two thirds of Electra's portfolio is held in unquoted companies in the US and UK, which suffered badly during the recession.

The trust's net asset value per share has yet to regain the 1989 value of 345.7p.

However, Mr Michael Stoddart, chairman, said: "I believe that Electra Investment Trust is positioned to resume the growth that it enjoyed during the 1980s. I look forward to the future with some optimism."

Mr Hugh Mumford, managing director, said the trust had benefited from a number of factors, including the improvement in smaller company share prices, gains on realisations of holdings and from listings, and from the strength of the dollar.

Electra said it would, for the first time, describe in its annual report and accounts the



Michael Stoddart: the trust is positioned to resume growth

principles it follows for valuing unquoted holdings.

Doubts over the valuation of its unquoted holdings, caused Electra shares to trade at a discount to net asset values of more than 30 per cent in early 1993, although this has since narrowed.

Based on yesterday's closing price of 302p, up 7p, the shares are trading on a discount of 11.5 per cent.

The trust said its objective

was "to produce a valuation of the unlisted portfolio which is both consistent and conservative."

The application of its valuation principles, said Electra, "normally allows for a reasonable margin of increase in value at the time of realisation or listing."

Parker Pen, the trust's largest unlisted investment, was sold at a substantial premium to last year's valuation.

Meanwhile, Sphere Drake became the trust's second largest investment following a listing on the New York Stock Exchange, which more than doubled the previous valuation.

Electra's pre-tax profits were £19.1m (£16.7m). Earnings per share were 7.544p (7.536p).

The proposed final dividend is increased to 3.55p, making a total of 7p (6.7p).

The trust's board is about to undergo a number of changes.

Mr Clive Clague and Sir Christopher Wates will retire on December 31; in addition Mr Colin Black and Mr Brian Peppiatt will retire at the next annual meeting. Three additional non-executive directors will be appointed.

## Hoskins transforms with two purchases

By Catherine Milton

Tiny USM-traded Hoskins Brewery is set to emerge as Balkin Holdings, a tobacco accessories and airport shops supplier with a real ale brewery and three pubs. Mr Howard Hodgson, its new chief executive, said yesterday when announcing interim results.

The company reported pre-tax losses of £830,000 for the six months to September 30, against profits of £50,000 in the comparative period.

Sales fell to £230,000 (£812,000) and there were exceptional charges of £229,000 (£25,000) relating to costs of management changes and reflecting the diminution in value of some properties.

The company also showed a £33,000 provision to cover the loss on the sale of a loss-making pub.

Losses per share were 14.2p, compared with earnings of 0.87p last time.

Mr Hodgson, a stock market darling in the 1980s, announced the transformation through two linked acquisitions for £19.5m funded by three separate share issues to raise £15m.

Hoskins' new board announced a £9.5m partial cash alternative offer for LGW, which imports and distributes branded goods such as watches and jewellery through shops based at Gatwick Airport.

Two of LGW's directors and another principal shareholder, accounting for 80.6 per cent of the issued capital, have irrevocably undertaken to accept the offer.

The offer is conditional on the brewery's £10m cash acquisition of Ronson, a manufacturer of cigarette lighters and other smokers' requisites, as well as household aerosol products and writing instruments.

The new board plans to fund these acquisitions with a placing, subscription and rights issue which together will raise £18m through the issue of 25m new shares at 68p apiece.

Of the proceeds, £10m will be payable to Ronson and £3.1m will be available to satisfy acceptances in full by LGW shareholders of the partial cash alternative.

The issue price compares with the middle market quotation of 78p per share on December 8 when Hoskins shares were suspended.

On completion of the Ronson deal, Ronson will subscribe for 2.94m new Hoskins shares at 68p which the company has agreed to retain for 12 months.

Peel Hunt have conditionally placed £16.2m shares with institutions at 68p and shareholders will be offered new Hoskins shares at the same price on the basis of a 1-for-1 rights issue.

The placing and rights issue have both been fully underwritten by Guinness Mahon, save for 755,000 shares to be taken up in accordance with undertakings received by the company.

The board also proposed a capital reconstruction for which the company needs court approval and, in common with most of yesterday's proposals, will have to be agreed by shareholders at a special meeting on January 12.

Shares in Hoskins were suspended on December 8 and the Stock Exchange has indicated that dealings will recommence on the USM but will be suspended for a second time on January 11.

## Abbeycrest director sells 23.5% holding

Mr Chris Dear, the second largest shareholder in Abbeycrest, the jewellery manufacturer, is selling his 23.5 per cent stake and leaving the board. He will continue to act as a consultant to Gallery, the ring making subsidiary, for at least a year.

Pamure Gordon, Abbeycrest's broker, is placing the holding with institutions. The shares closed at 79p, down 4p.

Mr Dear joined Abbeycrest when it acquired Gallery for up to £13m in cash and shares in 1989.

## Allied-Lyons Brazil venture

Brian Walker, the spirits and wine sector of Allied-Lyons, is joining forces with Pedro Domecq to form a joint venture sales and marketing company in Brazil.

The new company will be based in Rio de Janeiro and the brand portfolio will include Domecq brandy, Balentine's and Teacher's Scotch whiskies and a range of other premium brands.

## £27m purchase by Manders

By Peter Pearce

Manders, the Wolverhampton-based paints, inks and property group, has acquired the printing inks and graphics supplies business of Croda International for about £26.7m cash.

Manders' shares climbed 14p to 350p.

Mr John Farmer, Manders finance director, said that the acquisition would push borrowings up to £50m. Manders is paying about £16m for the net assets plus goodwill of £10.7m.

Manders said the acquisition would complement its existing coatings and inks business. Mr

Farmer said that the purchase would increase turnover in the coatings side from £50m a year to between £80m and £85m.

Most of the increase would derive from continental Europe, especially the Netherlands. The operations bought are also located in the UK, Ireland, Italy, New Zealand and Zimbabwe.

Manders said it would benefit from the spread of the businesses bought because many European customers now wanted to standardise supply relationships across borders.

In 1992, the bought businesses made operating profits

of £2m (£1.7m) on sales of £30m (£29.6m). Net operating assets were valued at £12.4m at December 31 1992.

● In September Mr Roger Akers, Manders chief executive, said that the Manders Centre, the group's shopping centre valued in December 1991 at £57.5m, was being marketed in response to "unsolicited approaches".

Mr Farmer said a short list of interested parties had been prepared. Sale details would be put to shareholders "within eight to 10 weeks". He suggested that the group would want to reduce borrowings with part of the proceeds.

## Reed Elsevier in Italian acquisition

By Raymond Snoddy

Reed Elsevier, the international publisher, has taken its first move into the legal publishing market in Italy with the purchase of a 40 per cent stake in the Giuffrè group which has offices in Milan and Rome.

Reed is buying the stake in Giuffrè Editore, a family-owned company, and its sister company Mori which in the year to December 1992 had sales of L102bn (£43.4m).

No price was announced but it is believed the stake cost Reed, which has been expanding its international legal publishing operations, just under £30m.

Giuffrè specialises in law, economics and political science. It claims Italian market leadership in legal publishing for the university and professional market. The company has a backlist of about 5,000 titles and 60 journals.

Reed Elsevier's main legal publishers are Butterworths in the UK and the Common-

## Restructuring contributes to first loss at AJ Archer

By Andrew Jack

AJ Archer, the listed agency on the Lloyd's of London insurance market, yesterday reported pre-tax losses of £216,000 in the year to September 30.

The deficit, which the company said was the first in its history, compared with a restated profit of £1.16m in the previous 12 months.

Mr Ralph Sharp, group managing director, said he was confident about the future and attributed the losses partly to the restructuring of the company during the year.

Turnover was £8.17m (£7.94m) and losses per share emerged at 1.5p (earnings 1.8p). The final dividend is 0.5p.

## Jacques Vert shares jump 27p

Shares in Jacques Vert, the women's fashion wear supplier, advanced 27p to 179p after an interim profit forecast above expectations.

It is expected that when the company reports figures for the six months to October 30 on January 11 pre-tax profits will be £500,000, after taking a property devaluation

giving a total of 1p (4.4p). AJ Archer acquired Kaleit (Holdings) in November 1992 and Castle Underwriting Holdings in July this year. The purchases have led to substantial restructuring.

Mr Sharp said there had already been a number of redundancies and staff taking early retirement, and he expected further falls in the payroll.

He also expressed confidence in the level of capacity for the 1994 underwriting year, which he projected would be up 40 per cent on this year to £552m.

He said the agency had already received commitments of more than £100m from the new corporate capital vehicles and was still waiting for final confirmation from Names.

charge of about £400,000. There would also be an additional charge of £962,000 taken directly against reserves.

The company, which underwent a restructuring in the previous financial year after falling into losses, reported a return to profits of £1.03m (£4.65m losses) for the year to April 24.

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Copies of the Offering Circular dated 9th December, 1993 will be available during normal business hours (for collection only) until and including 21st December, 1993 from the Company Announcements Office of the London Stock Exchange, Capel Court Entrance off Bartholomew Lane, London EC2, and until and including 31st December, 1993 from the Listing Sponsor, S.G. Warburg Securities Ltd., 1 Finsbury Avenue, London EC2M 2PA and from Birmingham Midshires Building Society at its principal office at 35-49 Lichfield Street, Wolverhampton WV1 1EL.

17th December, 1993

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December 1, 1993

\$420,468,750



Grupo Financiero Serfin

69,000,000 L Shares

Joint Global Coordinators

CS First Boston  
Operadora de Bolsa Serfin, S.A. de C.V.

These securities were offered internationally, in the United States and in Mexico.

### NEW ISSUE

International Offering  
3,737,500 American Depositary Shares  
each representing four L Shares

CS First Boston

Morgan Stanley International

Serfin Securities, Inc.

ABN AMRO Bank N.V.

ING Bank

Swiss Bank Corporation

Deutsche Bank

Aktiengesellschaft

Paribas Capital Markets

S.G. Warburg Securities

### NEW ISSUE

United States Offering  
8,912,500 American Depositary Shares  
each representing four L Shares

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Incorporated

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Kidder, Peabody & Co.  
Incorporated

Dillon, Read & Co. Inc.

A.G. Edwards & Sons, Inc.

Keefe, Bruyette & Woods, Inc.

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December 1993

## Barclays Bank PLC

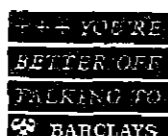
The following reductions in lending interest rates are effective from the start of business on 17th December 1993.

### OVERDRAFTS

	New Rate	Old Rate
Barclays Premier Card Overdraft	1.04% per month (12.5% p.a.)	1.09% per month (13% p.a.)
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	New Rate	Old Rate
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## COMPANY NEWS: UK

### New chairman at Intercare

By Andrew Bolger

Intercare Group, the acquisitive manufacturer and supplier of healthcare products, has responded to its flagging share price by raising its dividend and splitting the roles of chairman and chief executive.

The shares yesterday rose 14p to 150p after the Stockport-based group reported a 19 per cent increase in pre-tax profits to £4.31m for the year to October 2.

Mr Peter Cowan, chairman and chief executive, said the group's shares had suffered along with the rest of the healthcare sector, and there was also market concern about small, acquisitive companies that did not conform to the Cadbury recommendations on corporate governance.

Mr Cowan, who has a 10 per cent stake in Intercare, said the board had decided to separate his roles, with his full agreement. He will remain as chief executive, while Mr Robert Shepherd, 62, will become non-executive chairman. Mr

Shepherd founded Priestly Footwear in 1956, which was acquired by Pentland Industries in 1972, where he became deputy chairman. He retired from Pentland at the end of 1992.

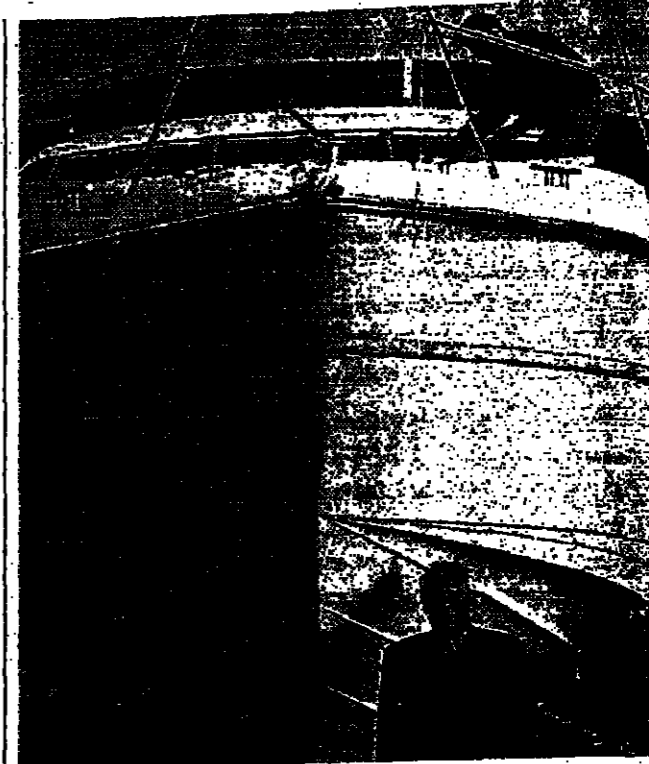
Mr John Padgett, 57, who has been a non-executive director of Kwik-Fit Holdings since 1981, will join the board as the fourth non-executive director.

Intercare's sales increased by 34 per cent to £30m and earnings per share rose to 10.5p (9.5p).

Mr Cowan said the strength and diversity of the businesses enabled the board to increase the final dividend to 2.8p, raising the total for the year by 35 per cent to 3.5p (2.8p).

The results included a £320,000 profit contribution from FTE, the Dutch supplier of specialised wheelchairs which the group acquired in May for an initial £1.8m.

Mr Cowan said Intercare would continue its strategy of concentrating on medical devices used by the disabled, the elderly, and the optical markets.



Sam Newington: new models were well received

### Fairline powers back to the black

By John Murrell

Fairline Boats powered back into the black in 1993-94 with overseas sales bolstered by sterling's devaluation in 1992.

Recovery at the Peterborough-based luxury powerboat maker gathered pace through the second half with pre-tax profits for the full year to end September working through at £558,000. That compared with previous losses of £507,000.

The shares responded with a 16p rise to 28p.

Conditions in all of Fairline's export markets were helped by the devaluation while new boats introduced in the year - Targa 38, Phantom 37 and Squadron 47 - were all "exceptionally" well received.

Turnover improved from £27.7m to £38.7m with about 90 per cent of output going to European countries.

Mr Sam Newington, chairman, was expecting some impact from the deepening recession in Fairline's main markets, pointing out that this had already been experienced in Spain, France and Italy as well as the Scandinavian countries. In Germany, however,

sales were holding up quite well, UK sales were showing some improvement while east Asian sales were significantly better.

At the end of November the company held 11 per cent more value of order deposits than 12 months earlier and its total outstanding order book value was ahead 10 per cent at £15m.

Overall, Mr Newington was looking for a better year in 1993-94 with improved margins working through when the new boats were "in full and efficient production."

City analysts were anticipating pre-tax profits in the region of £1m for 1993-94. However, that depended on the outcome of the London and Düsseldorf boat shows in January which would be a key factor of the outcome.

Fairline has a strong balance sheet with more cash in hand than at this time last year after paying off a large part of its development loans for its factories at Weldon and Oundle, Northamptonshire.

A final dividend of 4.95p maintains the total at 10.5p. Earnings of 10.5p compared with previous losses of 7p.

### Low activity puts AH Ball in loss

By Gary Evans

Low activity levels in the early part of the current year meant AH Ball Group, the civil engineer, turned in a pre-tax loss of £40,000 for the six months to September 30, against a £407,000 profit last time.

An inflow of orders in June helped the AH Ball subsidiary to raise turnover by 48 per cent to £2.98m in a group total of £4.15m (£2.89m). The subsidiary's margins, however, were reduced from 33.3 per cent to 22.7 per cent and pre-tax profits fell from £360,000 to £233,000, which Mr Tom Austin, chairman, said reflected a lack of volume in the early months.

Setting up costs associated with beginning five new contracts and tighter margins due to increased competition also contributed to the decline. Mr Austin expected an improvement in second-half turnover,

but margins would continue to be depressed by poor work mix and competitive factors.

KD Process International incurred a £157,000 loss (£142,000 profit for two months), on sales of £1.15m (£574,000). Mr Austin said that early in the current year a review of this operation was taken, which resulted in lower direct and administrative costs.

However, in view of continuing low sales volumes, a second review in the current quarter has further reduced KD's costs and Mr Austin said he believed that "we have the correct size of organisation to successfully compete within the company's market."

Overall, he expected the group to perform better in the second six months.

With losses per share at 0.2p (3.48p earnings), the company is paying an interim dividend of 1p (2.3p) from reserves.

### Sutcliffe Speakman returns to profit

By Reg Vaughan

Sutcliffe Speakman, the activated carbon technology and environmental protection systems group, returned to profit in the six months to September 30 with £361,000 pre-tax.

This compared with a deficit of £560,000 in the comparable six months and with a total loss of £5.56m for the whole of 1992-93 - the first year under the new board - which was arrived at after £5.83m restructuring costs.

The shares rose 5p to 54p.

Mr Frank Buckley, chairman, said the result represented a milestone in the group's recovery.

With the balance sheet ungeared following the July rights issue which eliminated borrowings of £8.08m and the restructuring he said that the group was seeing a strong recovery at the operating level.

Turnover from continuing businesses was £10.3m (£8.91m). The profit was struck after provision of £576,000 for losses on operations to be discontinued. Earnings per share were 0.28p (2.06p losses).

Mr Buckley said that the preference dividend due on December 31 cannot legally be paid because the company will not have sufficient distributable profits. Publication of the report and accounts for 1993-94 will be the earliest opportunity for any resumption of preference dividends.

Mr Buckley said that following progress made on the relocation of the group's operations and the improvement in profits in the current year, particularly in the second half to date, the resumption of ordinary dividends will also be reviewed when the accounts are published.

### NPT side helps Barcom to £2m

By Andrew Taylor, Construction Correspondent

Barcom, the plant hire group which supplies the civil engineering and coal mining industries, increased pre-tax profits from £562,000 to £2.06m during the 12 months to September 30.

The company was aided by new acquisitions with NPT, in its first full year, contributing

£1.3m and Hawkins, in for four months, generating £500,000. These two businesses have now been rationalised under the Hawkins Plant Services banner.

Group turnover rose from £11.5m to £31.8m, which included £8.27m from the acquisitions.

Earnings per share rose from 7.4p to 10.9p. A proposed final

dividend of 1.75p brings the year's total to 9p (1.25p).

The company remains highly geared with net debt of £19.2m, compared with shareholders' funds of £12m. Two thirds of borrowings, however, represent finance leases on plant and equipment. Barcom said that it intends to reduce net debt substantially in the current year.

### Chiltern Radio recovers

Chiltern Radio, the independent local radio operator, returned to profits in the second half of the year to September 30.

However, the figure of £79,000, against losses of £138,000, was not sufficient to overcome first half losses leaving a full year deficit of £246,000 pre-tax, against £282,000.

The shares lost 9p yesterday to 109p.

The outcome had been affected by costs incurred in the relicensing process. The company retained eight out of 10 licences and gained a licence for one of the new regional areas which covered one of the other two.

The company said the present year had started well with strong national airline revenues.

Turnover was £5.76m (£5.27m). After a tax credit of £27,000 (£25,000) losses per share were reduced from 4.6p to 3.4p.

### Umeco makes £1.35m purchase

Umeco, the USM-quoted aerospace components distributor and manufacturer of aircraft refuellers, has acquired Tortube, a maker of tubular components, for an aggregate consideration of £1.35m.

The consideration will be satisfied as to £1.05m in cash and the balance by 789,475 new shares issued at 38p each.

For the year to August 31 1993 Tortube made pre-tax profits of £388,000 on turnover of £3.98m. Net assets at August 31 were £1.46m.

### Westport £220,000 in red

A low level of activity coupled with price competition continued to affect Westport Group, which reported pre-tax losses of £220,000 for the half year to October 30.

Last time there were profits of £111,000. The deficit was struck after an exceptional £162,000 for redundancy costs and a loss on property disposal.

Turnover for the USM-quoted exhibition, photographic services and markets specialist fell slightly to £7.54m (£7.98m). That was despite a substantial growth in both turnover and

profits from the T&S Lightbox film processing subsidiary and to a lesser extent from Stanco, which supplies stand construction to exhibition organisers.

As part of its plan to expand further in digital electronic photographic imaging services, Westport also announced the acquisition by T&S Lightbox of Printed Picture Company, a subsidiary of Carlton Communications. The consideration, in cash, represents less than 3.5 per cent of Westport's net assets.

Losses per share amounted to 0.18p (0.09p earnings).

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NOTICE IS HEREBY GIVEN that the interest rates covering the interest period from December 16, 1993 to June 16, 1994 is detailed below:

Series Designation	Rate	Interest Amount	Interest Payment Date
DMK Discount Series	6.3625 Per P.A.	DMK 33.18 Per DMK 1,000	June 16, 1994

December 16, 1993

CITIBANK, N.A., Agent

## Nu-Swift to go private via 398p share offer

By David Blackwell

Nu-Swift, the fire protection and property group, is to be acquired by a private company indirectly owned by Mr Jacques Murray, its chairman.

Euro Fire Security will offer 398p in cash for each Nu-Swift share, valuing the issued share capital at £147.2m.

The price represents a 15 per cent premium over the 345p of the last trade on the USM at the end of June, when news emerged of the plans to take the company private.

Mr Murray is the sole beneficial shareholder in European Fire Protection Holding, owner of Euro Fire Security. Through EFP and other companies he owns 24.4m shares (66.1 per

cent) of Nu-Swift, which he has chaired since 1986.

The other main shareholding is held by subsidiaries of ADT, the Bermuda-based security and vehicle auction group headed by Mr Michael Ashcroft. They have 8.4m shares, or 23.8 per cent. Mr Ashcroft is the independent director on Nu-Swift's board.

ADT's subsidiaries are backing the proposed privatisation. Mr Murray has confirmed that connected shareholders will not use their vote at the extraordinary meeting, still to be convened, on the adoption of the scheme.

Nu-Swift lost its full listing on the Stock Exchange in 1991 because such a small stake was in public hands. Since Decem-

ber 1988 the group has bought about 7m of its own shares, leaving only 11.1 per cent outside the two principal investors.

The board said yesterday that it considered the trading of the shares on the USM was "not currently serving any useful purpose," and imposed a costly administrative and regulatory burden.

The group has changed the nature of its business, disposing of service industries and moving into property.

At the end of June the unaudited balance sheet showed consolidated net assets of £135.7m, equivalent to approximately 367p a share. The bank balances and cash were £91m before finance debt.

## PhoneLink loss widens to £0.3m

By Tim Burt

PhoneLink, the USM-quoted computing services company, said yesterday that its development of an "information supermarket" was on course for a launch in 1994.

Announcing a pre-tax loss of £301,000 in the six months to September 30 against a £2,000 deficit last time, the Birkenhead-based company said its performance was in line with market expectations.

It warned that development costs of its unique Tel-Me system, which extracts information from commercial computer databases faster and more economically than existing technology, was about to enter its most expensive stage.

In spite of the large-scale investment necessary to launch the system, PhoneLink said its losses had been contained by increased operating efficiency at its

Preston plant near Liverpool.

Mr Trevor Burke, chief executive and founder of the company, said savings of almost £2m at Preston resulted in lower than expected operating losses of £84,000, compared with a £7,000 profit last time.

Development costs for Tel-Me were offset by improved turnover in the DataCare business, a bulk database service for large corporations.

DataCare was wholly responsible for a 79 per cent increase in turnover to £386,000. It also generated gross profits of £359,000 (£212,000) before operating expenses associated with Tel-Me.

Losses per share emerged at 0.8p.

PhoneLink's shares, which rose sharply earlier this year after IBM decided to market Tel-Me, closed 5p higher at 35p. They were placed in May at 155p.

## Cluff Zimbabwe raises \$20m

By Kenneth Gooding, Mining Correspondent

Cluff Resources Zimbabwe, 82.4 per cent owned by the UK-quoted mining company, is raising a \$20m treasury note loan which should raise about \$20m (£13m).

The cash will be used to fund an underground project at the Freda Rebecca mine in Zimbabwe and repay debt.

Interest has been fixed at 5.6 per cent, substantially below the 30 per cent paid by CRZ last year. Repayment, in gold, will be in eight equal instal-

ments over four years beginning in January 1995.

The company said the Freda Rebecca underground development was projected to boost annual gold output, which was a little more than 20,000 ounces last year, to about 100,000 ounces during 1995 and should extend the mine's life to 2000.

It added this was the first gold loan to be approved by the Zimbabwe government and had been granted by the Eastern and Southern African Development Bank.

The UK parent also announced that Cluff Oil

(Hong Kong), its 34 per cent owned associate, had accepted an offer from the Chinese government to participate through a joint venture company in a new round of oil exploration licences being offered in the East China Sea.

Cluff will have a 17 per cent interest but funding for the initial two-year exploration programme will be provided by Primeline Properties of Hong Kong.

Cluff has appointed Samuel Montagu as its merchant bank and James Capel as its broker.

## Farringford deficit lower

Increased profits from the Farringford Hotel, its only active subsidiary, and lower head office overheads were behind the improvement at Farringford, the former soft drinks manufacturer, in the six months ended August 31 1993.

The company reduced its trading loss from £151,000 to £51,000 on sales of £403,000 (£387,000). Operating profit of the hotel

increased from £65,000 to £103,000 and interest payable fell from £56,000 to £39,000. Head office costs were shaved to £126,000, compared with £208,000.

Losses per share came through lower at 0.21p (0.66p).

Directors said that as the hotel's profitable period fell during the six months under review, they did not expect it to make a profit in the six months to February 28 1994.

## Victoria Carpet up at £456,000

Victoria Carpet Holdings, the Worcestershire-based carpet and carpet yarn manufacturer lifted pre-tax profits to £456,000 in the half year to September 30 on sales of £17.1m.

The outcome compared with profits last time of £227,000 on turnover of £16.6m.

In a cautiously optimistic statement, Mr John Bettinson, chairman, said that although margins remained under pressure, the industry had shown signs of recovery in recent weeks.

"There are also signs that export sales are increasing as confidence returns to the international contract market," he said.

Earnings per share emerged at 4.17p (2.03p): "We see no reason at this stage why the year-end dividend should be returned to its previous level," Mr Bettinson said.

## Arlen disposes of distributor for £3.6m

Arlen, the light fittings and electrical accessories company, is disposing of its Highland Electronics subsidiary to EAO

Holding, a Swiss switch manufacturer, for about £3.6m in cash.

Highland, which distributes electronic switches and components, reported pre-tax losses of £262,000 for the year to March 31 1993.

In view of the impact of the disposal and the reorganisation being carried out within Arlen, it is changing its year end from March 31 to December 31. There will be no announcement of interim results to September 30 1993.

## Brunner lifts net asset value by 27%

Brunner Investment Trust reported a net asset value, after deducting prior charges at par, of 256.74p per share at November 30. The figure represented a year-on-year advance of 27 per cent.

Net revenue for the year was £3.9m (£3.83m), for earnings of 6.1p (5.99p). A recommended final dividend of 2.85p lifts the total to 5.25p (5p).

Funding has been arranged with Scottish Amicable Life Assurance. It is expected the property will have an investment value of £19m when completed and leased, reflecting a return of 8 per cent.

The store will be remodelled to provide nine retail units which are expected to be

available for Christmas 1994.

Interest costs hit Stewart & Wight

Stewart & Wight, the property investment company, reported pre-tax profits down from £182,813 to £170,064 in the six months to end-September.

The company blamed an increase in finance charges, which rose from £1,791 to £6,848 and lower rental income of £5,608 (£9,539).

Gross revenue rose to £201,525 (£203,459). Earnings per share came out at 145.29p, compared with 155.75p.

## Capital & Regional joint venture

Capital and Regional Properties, the USM-quoted property company, has, through Capital & Easter (Argyle), a newly formed associate, entered a joint venture with Morrison Construction Group to buy and redevelop Arnott's department store in Argyle Street, Glasgow. The vendor is the House of Fraser.

Funding has been arranged with Scottish Amicable Life Assurance. It is expected the property will have an investment value of £19m when completed and leased, reflecting a return of 8 per cent.

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## Albion cautious despite 51% rise

Albion, the Belfast-based tailored men's wear group, lifted pre-tax profits by 51 per cent over the 12 months to September 30.

The upturn, from £773,837 to £1,099m, was achieved on turnover 38 per cent up at £21.6m.

However, the directors said trading remained difficult. "Although a further more modest increase in turnover is anticipated, we must recognise the competitive nature of international sourcing at a time when new low cost sources of supply are becoming increasingly accessible."

Earnings per share worked

through at 20.2p (15.5p). A proposed final dividend of 2.4p brings the total to 4p (3p).

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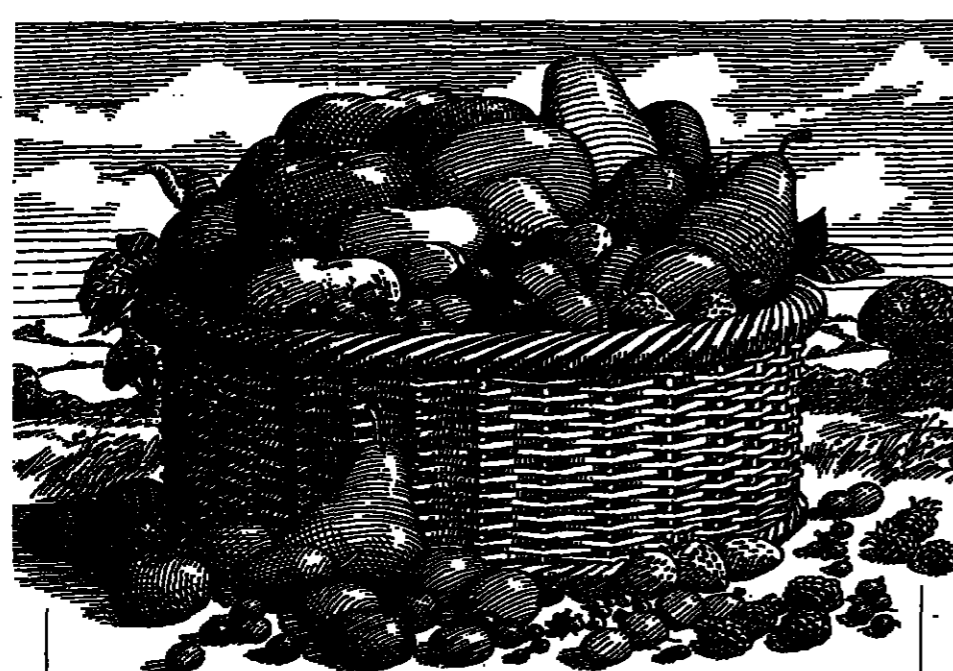
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## Southend Property in £20.75m deals

Southend Property is selling Meridian House, Farringdon Street, London, to Pillar Property Investments for £14.3m. The property is let on a lease expiring in December 2005 at a current annual rent of £1.27m, producing a net initial yield of 8.75 per cent.

In a separate deal, Southend is buying Thorncliffe Park Estate, Sheffield, for about £8.5m from the receivers of South Riding Estates. The income from it is about £750,000 a year, producing an initial yield of 12 per cent.



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COMPANY INFORMATION TO ACT ON

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(Registration number 01/0077306)

(Incorporated in the Republic of South Africa)

("ERPM")

## RESULTS OF THE RIGHTS OFFER TO ORDINARY SHAREHOLDERS

FirstCorp Merchant Bank Limited ("FirstCorp") and Paribas Capital Markets ("Paribas") are authorized to announce the results of the rights offer by ERPM to its ordinary shareholders of 110 602 800 ordinary shares at 500 cents per share ("The Rights Offer").

Subscriptions from ordinary shareholders or their nominees have been received for a total of 57 735 704 ordinary shares including exercise applications and rights taken up by Randgold & Exploration Company Limited to maintain its existing shareholding of 29 076, representing 55.2% of the 110 602 800 ordinary shares offered in terms of the rights offer by ERPM. Exercise applications were received in respect of 67 300 ordinary shares and will be allotted to applicants in full.

The Rights Offer was fully underwritten by Banque Paribas and FirstCorp. In terms of the underwriting, sub-underwriting agreements and the international offering circular, Paribas has undertaken a placing of R16 million being 9 294 421 ordinary shares. This placing was approximately 4.8 times oversubscribed in relation to Paribas' net underwriting commitment after the take-up of rights by ordinary shareholders and their nominees. FirstCorp and its sub-underwriters have subscribed for R303 million being 60 618 766 ordinary shares, which they have undertaken to hold for a period of two years subject to the discretion of Paribas as lead underwriter in terms of the underwriting agreement. Share certificates in respect of the ordinary shares allotted will be posted today.

Johannesburg

17 December 1993

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## República Oriental del Uruguay

Intendencia Municipal de Montevideo

PROYECTO: SANEAMIENTO URBANO DE LA CIUDAD DE MONTEVIDEO - III ETAPA

Licitación Pública Internacional entre Empresas Contratistas de Obras

OBRA A CONSTRUIR: "Saneamiento de la Cuenca del Arroyo Casavalle - 3ª Sección. Obras Parciales I"

La obra comprende:

- Construcción de colecciones unitarias para un sistema separativo mixto de secciones: circular (metrajes aproximados 18m en diámetro a 500mm, 50m en diámetro a 400mm, y 619m en o 250mm), rectangular (metrajes aproximados 110m en sección tipo 1.20 x 0.80m, y 30m en sección tipo 1.50 x 1.00m) y rectangular (metrajes aproximados: 560m en sección 5.80 x 2.10 y 280m en sección 3.80 x 2.00m), en Bivar. Aparicio Saravia entre las calles Simón del Pino y Enrique Castro.
- Reparación del Bivar, Aparicio Saravia entre las calles mencionadas. (metraje aproximado: 4200m de pavimento de Homigón Amado).

Plazo de Ejecución: 39 meses.

El sistema a seguir en esta Licitación Pública Internacional será el de dos sobres simultáneos: Sobre N° 1 que contendrá informaciones sobre la capacidad financiera, legal y técnica de las empresas, referidas a experiencia general y específica, personal clave y maquinaria disponible para el proyecto, contratos ejecutados, y en ejecución compromisos y litigios existentes, mediante las cuales serán precalificadas; y Sobre N° 2, que contendrá la oferta, con los precios de la respectiva cotización.

En el acto de apertura, que tendrá lugar en ceremonia pública en el día y hora que más adelante se establezca, se abrirán los Sobres N° 1 y se verificará si los proponentes han incluido los documentos requeridos por las bases. De no contener estos sobre la documentación solicitada, se dejará constancia de este hecho en el acta que se elaborará así como la información que falta o se encuentra incompleta, y se devolverán a los licitantes los Sobres N° 2 sin abrir. Completados estos procedimientos, se dará por concluida la ceremonia, permaneciendo cerrados los Sobres N° 2 de los oferentes que hubiesen presentado toda la información requerida. En base a la información incluida en los Sobres N° 1 se procederá a la precalificación de los oferentes evaluándose todos los aspectos detallados en los recaudos. Una vez concluida dicha etapa y aprobada ésta por el BID, se llevará a cabo una ceremonia pública, que tendrá lugar en la fecha, hora y lugar que se notificará oportunamente a todos los proponentes, estimada en 45 días a partir de la presentación de las ofertas. En ella, primero se devolverán, sin abrir, los Sobres N° 2 de las empresas no precalificadas y posteriormente, se abrirán los Sobres N° 2 de las firmas precalificadas, dándose lectura al precio de cada oferta dejándose constancia de todo ello en el acta correspondiente. Concluida esta instancia, comenzará la etapa de análisis final de las propuestas.

El costo de los trabajos podría ser abonado con recursos provenientes de un programa, el cual dispondría de fondos originados en un eventual financiamiento del Banco Interamericano de Desarrollo (BID) que viene gestionando la Intendencia Municipal de Montevideo y de la contrapartida local, razón por la cual solo serán elegibles las empresas nacionales de países miembros del Banco citado.

El Contrato de obra a suscribir con la empresa adjudicataria comprenderá todos los recaudos de la licitación, planos, ofertas de los Contratistas y toda otra especificación relativa a la licitación; y estará sujeta a las "Normas y Procedimientos para Adquisiciones con Prestamos del BID", pues el Proyecto eventualmente podría ser financiado por el mencionado Banco.

Los interesados presentarán sus propuestas (los dos sobres) en la I.M.M., Avda. 18 de Julio y Ejido, Piso 2, R.O.U., el día 20 de abril de 1994 a la hora 15:00.

Los recaudos que regirán la licitación podrán adquirirse en la I.M.M., Unidad Ejecutora de Saneamiento, Piso 9 todos los días hábiles desde el 17 de enero de 1994 en horario de 13.30 a 18.30. Las Empresas podrán recabar información sobre el proyecto en la Unidad Ejecutora los días y horas antes indicadas.

Las consultas se formularán por escrito a la Unidad Ejecutora de Saneamiento, hasta el día 18 de marzo de 1994 inclusive.

Las ofertas deberán presentarse personalmente o por persona delegada, no admitiéndose envíos por correo, en la Unidad Ejecutora de Saneamiento. En esta Unidad se estudiarán las propuestas presentadas por los oferentes, siendo posteriormente aprobadas y adjudicadas por el Sr. Intendente Municipal de Montevideo.

Se exigirá la presentación del recibo de compra de los recaudos para la licitación y la constancia de haber depositado la garantía de mantenimiento de propuestas.

El precio de los recaudos es de \$ 6.000 (seis mil Pesos Uruguayos).

## NEW ISSUE

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## COMMODITIES AND AGRICULTURE

## Cocoa price fall gains momentum

By Deborah Hargreaves

Cocoa prices slipped further yesterday as more pessimistic market trends dampened sentiment. The second position futures contract at the London Commodity Exchange fell £32 a tonne to \$388 a tonne and New York prices lost \$40 in early trading to \$1,193 a tonne for March futures - the lowest point for over a month.

Much of the sell-off in the market was based on technical chart analysis, but it also reflected the peaceful transition of power in the Ivory Coast - the world's biggest producer. The death of president Felix Houphouët-Boigny a couple of weeks ago led traders to fear a power struggle that could affect cocoa deliveries.

In addition, the Ivory Coast has also indicated that it may sell its mid crop of cocoa, which will be harvested in April to June next year, immediately rather than with the main crop, as happened this year. The mid crop is usually 100,000 and 150,000 tonnes compared with a main crop of 650,000 tonnes. Some of this has been damaged in transit this year and has not been exported.

Traders were also taking profits this week ahead of the publication of the European Union's report - due at the end of the year - on cocoa butter substitutes in chocolate. That report could recommend increased use of substitutes.

Mr Lawrence Eagles, commodity analyst at GNL, the London brokers, said: "I'm a long-term bull towards cocoa, but I think the market has got a bit ahead of itself and attracted a lot of speculative interest".

Mr Eagles said cocoa prices have also slipped further, to about \$200 a tonne, but there remained strong buying interest in the market.

## Russian disruption bumps up hardwood pulp market

By Bernard Simon in Toronto

A disruption in Russian birch log supplies has contributed to an unexpected jump in world hardwood pulp prices in recent weeks. The rise has raised hopes among producers that the pulp market, battered by weak demand and over-capacity for the past four years, may be on the brink of revival.

This disruption of Russian birch exports has forced several Finnish and Swedish mills to cut production. One industry official estimated that Scandinavian hardwood pulp producers are operating at only 50 to 60 per cent of capacity.

Eucalyptus producers in Spain, Portugal and Brazil have taken advantage of the tighter market to raise their prices. European eucalyptus prices have jumped to about \$250 (\$275) a tonne, from \$230 in mid-November.

## Rapeseed futures to be launched in Paris

By Laurie Morse

Matif, the French futures exchange, said it plans to launch rapeseed futures in October, 1994. The contract will allow pricing in Europe's dominant oilseed and will be denominated in D-Marks, with provisions for currency conversions into US dollars or French francs.

The futures contract will apply to rapeseed of any origin with 40 per cent oil content and will have large delivery points on the Rhine, Moselle, and Main rivers in France and Germany. One contract will represent 50 tonnes of rapeseed.

The exchange developed the contract in conjunction with the French oilseeds trade group Onidol, which will conduct a major training programme for market users during 1994.

"The launching of the rapeseed futures contract reflects Matif's determination to diversify its product range in the commodities sector," said Gerard Pfauwadel, Matif's Chairman.

Matif, best known for its financial futures contracts, currently has sugar, coffee, and potato futures in its agricultural repertoire.

"The rapeseed futures market will offer both French and European producers a system of reference prices on the one hand and arbitrage opportunities on the other. It is an up-to-date response to the uncertainties resulting from the new common agricultural policy," said Mr Jean-Claude Sabin, Onidol's chairman.

Matif was still considering a European wheat futures contract but its creation was not yet justified as there was no volatility in grain prices, said Mr Pfauwadel, reports Reuters from Paris.

The project was linked to the results of the common agricultural policy reform and the effects of the Gatt deal.

## Competition comes to eastern German energy

Judy Dempsey on the sale of brown coal fields to an Anglo-American consortium

The Treuband privatisation agency could not have hoped for a better Christmas present than it secured last week by formally completing the sale of the Mibrag brown coal fields to an Anglo-American energy consortium led by PowerGen of the UK, NRG of Minneapolis, and Morrison Knudsen of Idaho.

By signing the deal the Treuband, backed by the federal finance ministry, achieved three things: it saved jobs in the Mibrag fields, which stand in the eastern German states of Saxony-Anhalt and Saxony; it set about introducing competition into eastern Germany's highly regulated energy sector; and, as Mr Klaus Schuchert, the Treuband's board member who is determined to prise open the region's energy industry, said, "the sale of Mibrag is a signal for the future of the Laubag mines".

Laubag, three times the size of Mibrag, is being privatised by the Treuband, which is negotiating the sale to a western German consortium led by Rheinbraun, the brown coal subsidiary of RWE, the country's largest utility. It also includes the Preussag Elektra and Bayernwerk utility companies.

The consortium had originally intended to merge Laubag with Mibrag, with the aim of running down the latter.

At the same time, the consortium and west Germany's five other main utility companies are obliged to buy 70 per cent of their energy from Veag over the next 20 years in order to underwrite investments totalling DM46bn (\$18bn).

If the Rheinbraun consortium buys Laubag, the west German utilities will enjoy a dual monopoly role in eastern Germany: as a monopoly supplier of brown coal to Veag, which is totally dependent on Laubag's coal, and as a monopoly customer for Veag," explained an energy expert from the consortium. He added: "Is the Treuband really in a position to weaken such a dual monopoly given that it is selling both companies to the same buyers?"

In selling the Veag electricity company, the Treuband has to agree with Rheinbraun on the price Veag will pay for the consortium's brown coal. "The definitive value of Veag is dependent on the definitive coal price of Laubag. Both are dependent on each other," said a consortium official.

He added that the consortium wanted to set a low price for Laubag's coal so as to boost Veag's earnings, as it would be paying a low price for Laubag's coal deliveries. As a result, however, Laubag would be left with a considerable cost disadvantage in paying its miners.

"This is one of the main issues in the negotiations," said a consortium official. "The government and the Treuband want the income earned from Laubag's brown coal sales to finance the workers. If the consortium thinks the government will finance the difference in order to save jobs, they are mistaken. Veag and Laubag will have to find an acceptable price to pay for coal which will finance the employment of the miners."

Rheinbraun officials admit that the price of coal is the

most contentious issue. "The consortium is being asked by the Treuband to pay a price for Laubag on the basis of expected income generated from brown coal sales," said a PreussagElektra official. "This is difficult because we don't know by how much energy consumption in eastern Germany will increase or decline over the next decade."

Consumption, already down by over 40 per cent since 1990 because of the collapse of the region's industry, may grow by 1 per cent a year after 1994. But energy experts point out that demand for brown coal may decline further as Laubag and Veag face increasing competition from gas.

Whatever the outlook, the Treuband is determined not to privatise eastern Germany's electricity sector until it has found a solution for coal. "Just because we are dealing with the same two monopolies does not mean we cannot get a good price for coal and electricity," said a Treuband energy adviser. "If the negotiations do not make progress, the Treuband - as the Anglo-American deal showed - would be free to seek alternative solutions, and go outside Germany," he added.

understanding that they will modernise the sector. In return, they will get the income from the sale of the coal. The consortium will be obliged to buy 70 per cent of their energy from Veag over the next 20 years in order to underwrite investments totalling DM46bn (\$18bn).

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Rheinbraun officials admit that the price of coal is the

## Oil market ignores output cut plans

By Robert Corzine

Oil markets yesterday shrugged off statements by some producers outside the Organisation of Petroleum Exporting Countries that they might cut oil production to bolster sagging prices.

The price of the benchmark Brent Blend for February was \$13.75 in late London trading yesterday, having closed on Wednesday at \$13.79.

Agency reports yesterday said Oman had informed customers that their shipments would be cut by 5 per cent from January.

A cut of that size would amount to only 40,000 barrels a day, which would have a negligible impact on the worldwide surplus of crude oil, traders said.

Egypt later said it was considering a similar cut in its exports of around 300,000 b/d.

Opec has blamed a surge in output by independent producers for adding to the crude oil surplus that emerged earlier this year because of chronic over-production by some Opec members. The organisation has appealed to the independent producers to restrain output, but most have rejected the calls. If the Omani cut materialised it would be the first independent exporter of any consequence to go along with Opec.

Market reaction to such cuts is likely to be muted, however, as long as big producers such as the UK and Norway continue to increase output. Figures issued by Arthur Andersen yesterday showed that Norway's October production had jumped by 22 per cent over September to 2.4m b/d. UK production in October surged above the 2m b/d figure to 2.07m b/d. North Sea production is expected to climb steadily into next year.

Qatar has agreed the principle terms for a \$2bn loan to finance the construction of a liquefaction plant, an integral part of its \$6bn liquefied natural gas project, Amulda Sharpe writes. The terms of the loan were not disclosed.

## Caribbeans in protest over Gatt banana deal

By Richard Mooney

The British banana market, already in a perilous state, could be further damaged as a result of offers made by European Union in the Uruguay Round of the General Agreement on Tariffs and Trade. That was the message delivered to UK junior agriculture minister Mr Michael Jack yesterday by representatives of Caribbean banana exporting companies, Fyffes, Geest and Jamaica producers.

The offers would entail rises of 100,000 tonnes in 1994 and

1995 in the 2m-tonnes-a-year tariff quota for so-called "dollar" bananas - produced in Central and South America - set in July this year, they told the minister. They added that the existing quota had already resulted in oversupply and falling prices in the UK market.

The delegation also claimed that the new banana regime meant the EU was failing to meet its legal commitment under the Lomé trade and aid convention that no Caribbean producer should be "in a less favourable situation than in the past" in regard to access to its traditional markets.

## COMMODITIES PRICES

## BASE METALS

## LONDON METAL EXCHANGE

(Prices from Amsterdam, unless stated otherwise)

## ALUMINIUM, 99.7 PURITY (\$ per tonne)

Close 1072-77 1067-77.5  
Previous 1067-58 1067-58  
High/Low 1105/1063  
AM Official 1061.5-82.5  
Kerb close 1103-03.5  
Kerb open 1101-02  
Open int. 277,576  
Total daily turnover 86,897

## ALUMINIUM ALLOY (\$ per tonne)

Close 962-64 968-68  
Previous 958-63 960-65  
High/Low 962-64 968-68  
AM Official 964-67 968-68  
Kerb close 967-68  
Kerb open 967-68  
Open int. 2,618  
Total daily turnover 174

## LEAD (\$ per tonne)

Close 485-70.5 483-84  
Previous 485-48 482-2.5  
High/Low 494/473  
AM Official 478-77 489-85  
Kerb close 485-48.5  
Kerb open 485-48.5  
Open int. 32,568  
Total daily turnover 10,128

## NICKEL (\$ per tonne)

Close 8250-55 5310-15  
Previous 8200-10 5280-70  
High/Low 8240/8200 5360/5280  
AM Official 5248-50 5300-05  
Kerb close 5310-20  
Kerb open 5310-20  
Open int. 48,030  
Total daily turnover 12,234

## ZINC (\$ per tonne)

Close 4770-80 4820-30  
Previous 4695-70 4750-55  
High/Low 4790/4780 4870/4770  
AM Official 4787-89 4820-30  
Kerb close 4820-30  
Kerb open 4820-30  
Open int. 18,130  
Total daily turnover 4,461

## COPPER, SPECIAL HIGH GRADE (\$ per tonne)

Close 967.5-85.5 983-84  
Previous 967.5-85.5 983-84  
High/Low 967.5-85.5 983-84  
AM Official 967.5-85.5 983-84  
Kerb close 983-84  
Kerb open 983-84  
Open int. 81,108  
Total daily turnover 16,313

## COPPER, GRADE A (\$ per tonne)

Close 1722-23 1745-46  
Previous 1715-14 1738-37  
High/Low 1715-14 1738-37  
AM Official 1715-14 1738-37  
Kerb close 1737-38  
Kerb open 1742-43  
Open int. 214,924  
Total daily turnover 86,041

## LME ALUMINIUM 2 1/2% RATE, 14800

Spot: 14885 3 mths: 14888 6 mths: 14753 9 mths: 14713

## HIGH GRADE COPPER COMEX

Close 47.00 47.00  
Previous 46.50 46.50  
High/Low 47.00 47.00  
AM Official 46.50 46.50  
Kerb close 46.50  
Kerb open 46.50  
Open int. 1,488  
Total daily turnover 1,488

## PRECIOUS METALS

(LONDON BULLION MARKET)  
(Prices supplied by N.M. Rothschild)

## Gold (Tr. oz.) \$ price

Close 388.10-388.50  
Previous 387.40-387.80  
High/Low 387.40-387.80  
AM Official 387.40-387.80  
Kerb close 387.40-387.80  
Kerb open 387.40-387.80  
Open int. 387.40-387.80  
Total daily turnover 387.40-387.80

## Silver (Tr. oz.) \$ price

Close 357.50-358.00  
Previous 357.00-357.50  
High/Low 357.00-357.50  
AM Official 357.00-357.50  
Kerb close 357.00-357.50  
Kerb open 357.00-357.50  
Open int. 357.00-357.50  
Total daily turnover 357.00-357.50

## Platinum (Tr. oz.) \$ price

Close 357.50-358.00  
Previous 357.00-357.50  
High/Low 357.00-357.50  
AM Official 357.00-357.50  
Kerb close 357.00-357.50  
Kerb open 357.00-357.50  
Open int. 357.00-357.50  
Total daily turnover 357.00-357.50

## Palladium (Tr. oz.) \$ price

Close 357.50-358.00  
Previous 357.00-357.50  
High/Low 357.00-357.50  
AM Official 357.00-357.50  
Kerb close 357.00-357.50  
Kerb open 357.00-357.50  
Open int. 357.00-357.50  
Total daily turnover 357.00-357.50

## RUBBER (Latex) \$ price

Close 357.50-358.00  
Previous 357.00-357.50  
High/Low 357.00-357.50  
AM Official 357.00-357.50  
Kerb close 357.00-357.50  
Kerb open 357.00-357.50  
Open int. 357.00-357.50  
Total daily turnover 357.00-357.50

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Previous 1715-14 1738-37  
High/Low 1715-14 1738-37  
AM Official 1715-14 1738-37  
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Open int. 387.40-387.80  
Total daily turnover 387.40-387.80

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Open int. 357.00-357.50  
Total daily turnover 357.00-357.50

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Total daily turnover 387.40-387.80

**Equity Shares Traded**

Turnover by volume (million). Excluding intra-market business and overseas turnover

Month	Turnover (million)
Oct	~600
Nov	~950
Dec	~750

3311.2	+32.4	FT Ordinary index	2496.0	+27.2
3674.1	+42.8	FT-A 500 y/e	21.33	(21.10)
1849.8	+16.8	FT-SE 100 Fut Dec	3313.0	+28.0
928.57	+18.11	10 yr Gilt yield	6.24	(8.29)
3.49	(3.52)	Yield ratio:	1.93	(1.92)

sectors		Worst performing sectors	
-2.8		1 Insurance (Life)	-2.8
+2.5		2 Pack/Paper/Printing	-0.7
+2.4		3 Electricals	-0.1
+2.4		4 Stores	0.0
+2.0		5 Insurance Brokers	+0.1

higher at 507p

Vodafone shares moved against the overall trend, closing 5 off at 566p, after Goldman Sachs, the US investment bank and one of Vodafone's biggest supporters over recent years, was said to have adopted a more cautious line.

Spirits groups were lifted by the GATT agreement, with Guinness adding 5 to 482p. Highland Distilleries 19 to 356p and Allied Lyons 10 to 656p. Grand Metropolitan, which announced slightly contentious executive changes this week, was again volatile, slipping 8 to 445p.

Among holiday operators, Overseas Travel progressed 1

lysts said the changes being wrought by the new management would have little effect until the 1995 season. Airtours unveiled a major rebranding of its booking operations. The shares gained 8 to 478p.

Electrical retailer Dixons again lost ground, with Smith New Court said to have dem-

Fashion company Jacques Vert announced that interim profits, at around £1.2m, would be better than expected when they are announced in Janu-

**MARKET REPORTERS:**  
Christopher Price,  
Peter John,  
Steve Thompson.

■ Other statistics, Page 25

	Rises	Falls	Same
For individuals who did not vote	60	7	12
For those who did vote	0	0	16
For those who did not vote	501	150	789
For those who did vote	76	35	63
For those who did not vote	39	8	88
For those who did vote	163	20	263

	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
Ards	93		-	-	-	-
Amr Est	101		-	-	-	-
	264		13.0	2.8	1.4	31.4

	110	+1	NA.1	2.1	4.7	13.0
	150		-	-	-	-
	103		-	-	-	-
	225	+2	-	-	-	-
Sm	304	+2	L8.4	2.1	2.6	23.0
	95		-	-	-	-
	169		W7.2	1.5	5.3	15.1
nderwert small C	103	+2	-	-	-	-
	100-12		-	-	-	-
	186	+2	W4.0	2.0	2.7	23.2
	109		-	-	-	-
Inc	412		-	-	-	-
	249		W6.0	2.2	3.0	17.7
	110	-1	NR3.5	2.1	4.0	10.4
Foot		-1				

Stock	Closing price	+/-
Barnett Bank	22 3/8	
Dwyer A	3 3/4	-1
Graycoat	54 3/4	+4
Harco	20 1/2	
Seal	7 1/2	+3
Tay Homes	20 1/8	
Wm. H. Green	20 1/8	

Dec 13	Dec 10	Yr ago	High	Low
2453.3	2450.6	2082.5	2498.0	2124.7
3.78	3.77	4.44	4.52	3.74
1.32	4.30	6.09	6.38	4.28

29.20	29.35	20.99	29.68	18.40
27.08	27.18	19.38	27.44	18.14
257.8	246.7	65.4	257.8	60.0

high 246.0 16/13/93; low 59.4 26/5/40  
 12/93 - low 43.5 26/10/71  
 55.

1.00	14.00	15.00	16.00	High	Low
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	2493.9	2486.5	2485.0	2488.8	2474.0
	Dec 14	Dec 13	Dec 10	Yr ago	
	29,458	31,771	40,333	25,334	
	1468.3	1439.2	1802.5	1488.7	
	33,720	37,065	45,845	29,064	
	810.7	808.2	772.0	692.8	



LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Trust Name	Price	Change	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	60
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■ FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (021) 873 4378 for more details.

Pre- Test	Post- Test	Pre- Test	Post- Test	+ or - Pre- Test
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**INITIAL CHARGE:** Charge made on sale of units listed in column immediately adjacent to this column.

**OFFER PRICE:** Also called *sales price*. The price at which units are bought by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between

However, the bid price is often not above the cancellation price. However, the bid price might be moved to the cancellation

**TIME:** The time shown alongside the food exchange's name is the time of the unit food's valuation point unless another time is indicated.

1401 to 1700 hours; (4) - 1701 to midnight:  
Daily dealing prices are set on the basis of the  
valuation point; a short period of time may

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**FT MANAGED FUNDS SERVICE**

\* FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (021) 873 4378 for more details.

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**FT MANAGED FUNDS SERVICE**

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### MANAGED FUNDS NOTES

Prices are in cents unless otherwise indicated and dividends \$ with no prefix, refer to U.S. dollars. We allow the full buying expenses. Prices of certain other issues (which appear subject to capital gains tax) do not include the 1% commission. For a complete listing of all funds, see the "Funds" section. The following are the most popular funds in the "Funds" section. For a complete listing of all funds, see the "Funds" section. The following are the most popular funds in the "Funds" section. For a complete listing of all funds, see the "Funds" section.



WORLD STOCK MARKETS

EUROPE									
Austria (Dec 16 / Sch)									
ATX	1,234.56	+12.34	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Belgium (Dec 16 / Ft)									
BEI	3,456.78	+45.67	3,502.45	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78
Denmark (Dec 16 / N)									
OMX	1,234.56	+12.34	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
France (Dec 16 / Ft)									
CAC	3,456.78	+45.67	3,502.45	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78
Germany (Dec 16 / D)									
DAX	3,456.78	+45.67	3,502.45	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78
Greece (Dec 16 / A)									
ATHEX	1,234.56	+12.34	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Ireland (Dec 16 / S)									
ISEQ	1,234.56	+12.34	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Italy (Dec 16 / Ft)									
FTSEM	1,234.56	+12.34	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Japan (Dec 16 / Yen)									
Nikkei	12,345.67	+123.45	12,469.12	12,345.67	12,345.67	12,345.67	12,345.67	12,345.67	12,345.67
Netherlands (Dec 16 / Ft)									
AEX	1,234.56	+12.34	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Norway (Dec 16 / Kroner)									
OSLO	1,234.56	+12.34	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Portugal (Dec 16 / Esc)									
BVL	1,234.56	+12.34	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Spain (Dec 16 / Ptas)									
IBEX	1,234.56	+12.34	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Sweden (Dec 16 / Kroner)									
OMX	1,234.56	+12.34	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Switzerland (Dec 16 / Ft)									
SMI	1,234.56	+12.34	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
UK (Dec 16 / Ft)									
FTSE	1,234.56	+12.34	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
US INDICES									
Dow Jones									
DJIA	2,345.67	+23.45	2,369.12	2,345.67	2,345.67	2,345.67	2,345.67	2,345.67	2,345.67
S&P 500									
S&P	1,234.56	+12.34	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
NASDAQ									
NDX	1,234.56	+12.34	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56

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## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

**4 pm close December 15**

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4 pm close December 16

Comcast	2	41	35	3%	3%	Harding	141	150	10%	10%	Health Care	26	4655	15%	15%	+4		
Conoco Inc.	0.59178	14	56	67%	67%	Harvest	0.84	14	12	20%	20%	HealthSci	5.7176	64	64	64	+4	
ConocoPhillips	0.12	24	110	44%	44%	Hess	0.20	15	81%	81%	81%	Heineken	0.37	30	225	6%	6%	+4
Cornwall	0.04	24	1110	44%	44%	HealthCo	0.30	40	48%	48%	48%	Hilltop	0.27	30	1021	12%	12%	+4
Cosco	0.04	24	1110	44%	44%	HealthCo	0.20	23	50%	50%	50%	Howe	0.20	34	780	19%	19%	+4
Cosco Inc.	0.04	24	1110	44%	44%	HealthCo	0.05	20	100	11%	11%	Howe	0.20	34	780	19%	19%	+4
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Cosco Inc.	0.04	24	1110	44%														

$$\begin{array}{r} 16 \\ + 78 \\ \hline \end{array}$$

# Wary traders reverse early rally in Dow

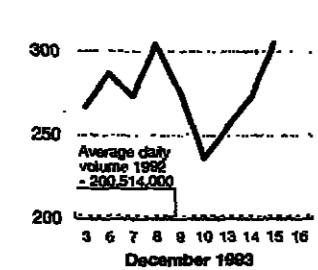
## Wall Street

Bargain hunters helped US stocks rally after two big losses, but the early gains were eroded quickly in spite of fresh signs of economic acceleration, writes Frank McGurty in New York.

At 1pm, the Dow Jones Industrial Average was 2.23 lower at 3,714.63, while the more broadly based Standard & Poor's 500 showed a slim gain of 0.58 to 462.42. In the

NYSE volume

Daily (million)



secondary markets, the American SE composite was up 0.42 at 480.36, and the Nasdaq composite was 1.58 higher at 754.55. Volume on the NYSE was moderate, with 166m shares traded by 1pm.

Stocks opened on a firmer tone, but a further batch of favourable economic news appeared to have less influence on sentiment than did the opportunity for bargain hunting presented by the 48-point decline over the previous two sessions.

The day's stream of data merely filled in details of a now-familiar portrait of the economy. The US merchandise trade deficit eased slightly in October, but solid gains in both imports and exports suggested heightened business activity.

But the market has already

factored a strong fourth-quarter into share prices, and now seems more concerned about the prospect of rising short-term interest rates, which could drain funds out of stocks.

Among individual stocks, UAL, parent of United Airlines, dropped 2% to \$146 after it announced an agreement under which employees would acquire a majority stake in the carrier. Investors were concerned that the company was giving away too much value to the unions and not adequately compensating existing shareholders for the dilution of their equity.

In the Big Board's most active issue, The Limited was marked down 3% to \$15.65 after the stock was downgraded by Alex Brown & Sons. Eastman Kodak, which lost nearly 12 per cent of its stock value on Wednesday after a profits warning, shed a further 3% to \$5.44.

Fruit of the Loom's slump also continued, with the stock dropping 3% to \$26 after announcing that its earnings would fall short of analysts' forecasts.

## Canada

Toronto slipped to slightly weaker levels at midday in an active market, the TSE 300 composite index slipping back from a stronger opening to ease 5.06 to 4,200.52.

Volume was 36.5m shares. Declines led advances by 340 to 310 with 358 unchanged. FWA moved close to the top of the most active list, slipping 0.13 to C\$1.10 in volume of 1.4m.

## SOUTH AFRICA

Gold shares were marked lower in line with an easier bullion price, but industrials moved ahead. The overall index rose 40 to a closing high of 4,634, golds slipped 25 to 2,128 and industrials climbed 34 to 5,175.

## EUROPE

# Zurich higher after cut in Swiss discount rate

Bourses were relatively subdued, rate cuts or the absence of them led to little influence share prices, writes Our Markets Staff.

ZURICH gave an initially muted response to the 25 basis point cut in the discount rate but it picked up later in the day, led by the chemicals sector. The SMI index added 17.1 to 2,867.7.

Buying of Roche certificates, up SF750 to SF6,260, by one small bank triggered demand elsewhere in the sector. Ciba registered rose SF17 to SF632. Ascom added SF90 to SF1,290 on news that it planned a joint venture, controlled by Germany's Robert Bosch, into which the Swiss group would bring its loss making Radiocom subsidiary.

SME bearers shed SF70 to SF750 after news, after the market closed, of a change in shareholder structure.

Swissair, which forecast a group profit for the year rose SF15 to SF770 in September the group said only that it

expected to break even.

FRANKFURT was quiet as the market waited for the Bundesbank's decision on key interest rates, turnover easing from DM9.5bn to DM9.2bn as the DAX index closed 28.75 higher at 1,374.65.

After hours, with rates unchanged, the DAX rose another 6.58 to 2,144.03. At corporate level, the engineer and truckmaker, MAN, rose DM5 to DM385.50 although it said that a further deterioration in its results could not be ruled out next year. Volkswagen rose DM8.50 to DM412.50 after an Frankfurt court turned down an appeal by Adam Opel, GM's German unit, for an injunction to prevent seven former employees from working for VW.

Metalgesellschaft fell DM12.30 to 4 per cent more to DM293.00. There were stories of executive resignations in the US, where the drop in the oil price has caused the group embarrassment, and confirma-

## FT-SE Actuaries Share Indices

Dec 16	THE EUROPEAN SERIES										
Weekly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close			
FT-SE Eurostock 100	1406.26	1406.51	1407.54	1406.27	1406.08	1406.08	1406.20	1407.59			
FT-SE Eurostock 200	1481.06	1481.21	1483.37	1484.67	1482.92	1483.56	1484.82	1485.24			
	Dec 15	Dec 14	Dec 13	Dec 12	Dec 11	Dec 10	Dec 9	Dec 8			
FT-SE Eurostock 100	1405.44	1406.64	1416.03	1416.51	1416.06						
FT-SE Eurostock 200	1475.57	1474.93	1479.80	1479.80	1479.77						
Base value 100 (30/01/00):	100	100	100	100	100	100	100	100			